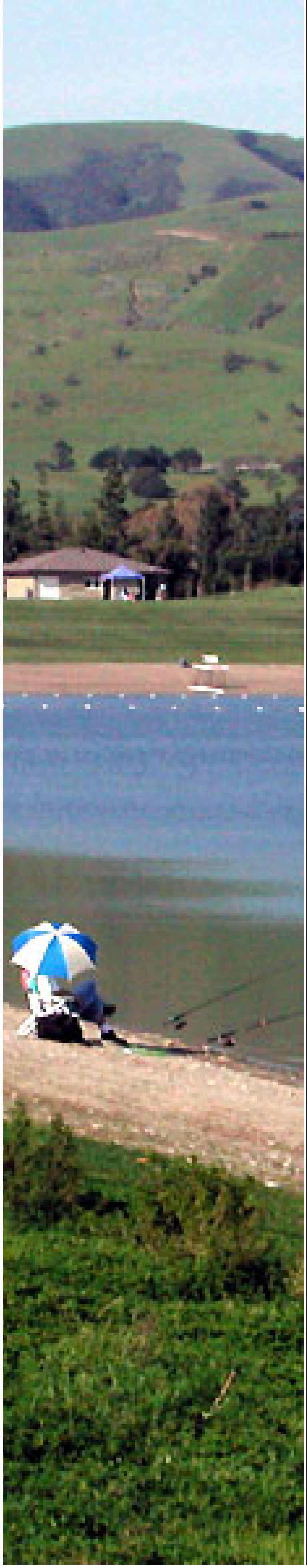

CITY OF Fremont

# 2005/06 Proposed Operating Budget

## City Council

Bob Wasserman, Mayor
Dominic D. Dutra, Vice Mayor
Steve Cho, Councilmember
Bob Wieckowski, Councilmember
Anu Natarajan, Councilmember

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Kim Pedersen, Executive Secretary/Graphic Artist
Laura Verma, Management Analyst

GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished Budget Presentation Award*

PRESENTED TO

**City of Fremont**

**California**

For the Fiscal Year Beginning

**July 1, 2004**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Presentation to the City of Fremont for its annual budget for the fiscal year beginning July 1, 2004.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. This is the seventh consecutive year the City has earned the award. We believe our current budget continues to conform to program requirements.

## Acknowledgments

Putting together a budget requires a great deal of effort from many people. The City Manager and Budget Team would like to thank the Budget and Accounting Services Staff, Department Budget Coordinators and others for their invaluable assistance:

### Budget and Accounting Services Staff

Corina Campbell
Gloria I. del Rosario
Krysten Lee
Tish Saini
Ellen Zhou

### Department Budget Coordinators

Susan Aro
Michael Barrett
Charlie Caulfield
Catherine Chevalier
Kelly Morariu
Dan Schoenholz
Kelly Sessions
Damon Sparacino

### Thanks also to

Anita Andaya
Sarah Schlenk

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Boxed titles are clickable links

## Staffing



## Policies & Glossary

# Guide to the Document

The budget is a spending plan for the financial resources available to the City. Through these resources, services are provided to meet the needs of Fremont residents. The City Council and City staff respond to the community's needs in part through the budget. It balances not only revenues and costs, but also community priorities and interests.

## Document Organization

### Budget Overview

The City Manager's Budget Overview sets the context for budget decisions by describing community and economic conditions affecting the budget. It outlines major initiatives underway and challenges for the coming year.

### Summary Information

This section of the document presents an overall picture of the City and the budget. It includes a description of the community, an organization chart, summary financial tables, a summary of Citywide staffing changes associated with the budget, and documentation of the City's compliance with State statutes and City policies regarding total expenditures and debt.

### Strategic Plan

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving them. This section presents the plan, summarizes recent accomplishments related to the plan, and relates initiatives funded in the budget to Council's long-term goals contained in the plan.

### General Fund

Local government budgets are organized by funds in order to segregate and account for restricted resources. Each fund is a separate accounting entity. The General Fund provides the majority of resources for most of the services cities typically offer, including public safety, maintenance, and general government functions required to support direct services to the community. This section provides the financial overview of the General Fund for the budget year. This section also places the budget in context with the five-year financial forecast and provides a five-year historical review of General Fund sources and uses.

### Other Funds

The Other Funds section contains information regarding non-General Fund sources of revenue. These funds are grouped into Cost Centers and Internal Service, Special Revenue, Redevelopment Agency, and Capital. A description and financial summary is provided for each category of funds.

### Capital Budget Summary

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ ICAP) is adopted biannually and includes appropriations for projects for Fiscal Years 2005/06 and 2006/07. These funds are included with the operating budget in summary to present a comprehensive picture of all the funds of the City and to reflect fund transfers approved between other operating funds and capital funds. This section contains a description of the CIP/ICAP funds, a summary of approved expenditures by program category, and highlights of key projects for the current fiscal year.

## Department Budgets

The majority of the budget document is divided into departmental sections. Each section provides the following information:

- **Mission Statement**
- **Description of Responsibilities and Services** - The purpose of this paragraph is to give the reader an understanding of the scope and breadth of the ongoing functions and responsibilities of a service area.
- **Service Objectives** - A list of yearly department objectives that are aligned with the Council's five-year goals.
- **Sources of Funding** - This information is in graphic form and illustrates the funds from which departments receive financial resources. Interfund transfers (to the General Fund) cover administrative department costs that are not funded by the General Fund. This contribution is shown on the charts as "overhead charges to other funds."
- **Financial Summary** - This financial table provides the salary and benefits, operating, and capital costs associated with the department for the fiscal year. It also provides historical information and trends of previous funding levels.
- **Major Budget Changes** - A description of the major budget changes comparing the previous year's budget with the current year.
- **Staffing** - A historical staffing graph shows the level of staffing for each area. Trends are easily identified. In addition, an organization chart illustrates individual positions and titles.

## Staffing

This section contains a summary of authorized positions by department and provides perspective on workforce trends.

## Policies

The budget is a spending plan for the financial resources available to the City. Through these resources, services are provided to meet the needs of Fremont residents. The City Council and City staff respond to the community's needs in part through the budget. It balances not only revenues and costs, but also community priorities and interests.

## Resolutions

This section contains resolutions approving and adopting the City budget, Redevelopment Agency budget, and appropriation limits for the fiscal year.

# Honorable Mayor and Members of the City Council:

## Executive Summary

The City of Fremont has been grappling with the effects of the economic recession for several years. Our ongoing revenues declined by approximately 10% between 2001 and 2003. The State of California, meanwhile, continues to raid our coffers to help deal with its budget problems, taking about $11 million annually and an extra $5 million in both FY 2004/05 and FY 2005/06. On the other side of the ledger, the cost of delivering services continues to rise; we face rising salary and health benefit costs, along with increased retirement costs caused primarily by the stock market tumble over the past several years. In response, we cut spending by approximately 20%, raised fees as appropriate, pursued opportunities to expand our sales tax base, and began a dialogue with the community about ways to ensure the City's long-term financial health.

We are obligated to balance the City's budget, so we have cut spending to close the budget gap. We spent $14.6 million less in FY 2003/04 than in FY 2001/02 despite rising costs, and we eliminated 20% of the City's workforce in one year. Although we were able to avoid further budget reductions in FY 2004/05, we are now cutting the budget by an additional 5% in FY 2005/06 in order to avoid larger budget gaps and deeper service reductions in the future.

Unfortunately, budget reductions of this magnitude result in service reductions to the community. We've closed one fire station and implemented ongoing rotating fire station closures, eliminated preventive policing programs and limited response to non-emergency police matters, eliminated City-funded library hours and park events, and postponed the construction of important facilities such as a planned second senior center and numerous community parks. We also face a growing maintenance backlog as a result

*The City of Fremont, including Quarry Lakes Park, as seen from the Hayward hills* of our inability to adequately invest in routine maintenance of streets, parks, medians, street trees, and public buildings. The additional $1 million funding decrease to Maintenance for FY 2005/06 will exacerbate our deferred maintenance problem, resulting in much more costly repairs in the future as well as increased risks to public health and safety.

We will continue to reduce spending to ensure that our ongoing expenditures can be supported by our ongoing revenues. Unfortunately, this means we will continue to cut services and defer maintenance of our infrastructure—steps that will affect the quality of life Fremont residents and businesses have come to enjoy. The steps we have taken so far, though necessary, have led to a slow dismantling of the City as we've shed people and programs to ensure that we can live within our means. Only with community dialogue about the right service levels and associated resource needs will Fremont's long-term financial health be assured.

## The Economy

The past several years have been difficult ones for all local governments in California, and Fremont is no exception. The lingering recession, coupled with ongoing State takeaways and rising retirement, health, and workers' compensation costs, have taken their toll on our ability to provide needed and valued services to our community.

Silicon Valley was once the economic engine driving growth in California, and that growth benefited all Silicon Valley cities, including Fremont. During the high-tech boom of the late 1990s and early 2000s, the local economy soared, and Fremont's revenues followed. We ended the 2000/01 fiscal year with $16 million more in revenue than anticipated when the budget was adopted, and much of that revenue derived from technology sector business-to-business sales taxes. In fact, Fremont's top 100 sales tax generators in the year 2000 included 23 high-tech firms—an indication of the importance of high-tech to our economy.

Unfortunately, when the economy began to cool in 2001, many of Fremont's high-tech companies folded or downsized significantly. Of the 23 high-tech firms among our top 100 sales tax generators in 2000, for example, only five remain in the top 100 today. The result of this change in the structure of the local economy was a precipitous decline in revenues, particularly those derived from business-to-business sales. Between the first quarter of 2001 (January – March 2001) and the fourth quarter of 2003 (October – December 2003), our sales tax revenues declined or remained virtually flat when compared with the same quarter the prior year. Although we saw modest positive growth in the first two calendar quarters of 2004, the third quarter was down another 5%, while the fourth quarter was up just under 5%.

For FY 2005/06, we predict that our revenues will grow by 6%—a possible indication that we are finally leaving the recession behind. Unfortunately, that revenue growth is still relatively modest by historical standards. And, because any growth will be on a much smaller base, our revenues will still be inadequate to support needed expenditures for years to come. In FY 2004/05, for example, we estimate that expenditures will exceed revenues by $7.7 million, despite all of the budget reductions we have made over the past three years. In FY 2005/06, we estimate that expenditures will continue to exceed revenues, though by a smaller amount ($6.0 million). In both years, we plan to make up the difference using General Fund fund balance. In FY 2005/06, we will also need to use $3.2 million in Budget Uncertainty Reserve to balance the budget. This is the first time we will have used this reserve since it was established in FY 2002/03. Given the volatility in our revenues and the increase in our costs despite all the reductions we have made, it is clear that we will be unable to grow our way out of our budget difficulties. Absent record revenue growth or a new source of revenue, we will be unable to restore any of the services we have eliminated since we first began reducing spending in late 2001. (Although our $22 million budget reduction was implemented with the 2003/04 fiscal year, we began holding positions vacant in late 2001 and reduced budgets citywide by 2% in FY 2002/03.)

## State Takeaways

For the past 25 years, California's cities have seen continued erosion in their ability to control local revenues as a result of voter-passed initiatives, like Propositions 13 and 218, and State takeaways. In the early 1990s, for example, the State began transferring property taxes from local governments to schools in order to reduce its own obligation to fund schools—a transaction known as the Educational Revenue Augmentation Fund (ERAF) shift. For Fremont, the ERAF shift equates to a loss of approximately $11 million annually, money that we are unable to use to provide vital local services.

*Misty morning in Fremont's Central Park*

In addition to providing funds for the State's budget through the annual ERAF shift, we are also losing additional monies through a new two-year ERAF shift enacted as part of the State's FY 2004/05 budget. In order to balance the State's FY 2004/05 budget, the Governor and local governments (including cities, counties, special districts, and redevelopment agencies) agreed on a plan to take $1.3 billion of local government property taxes in FY 2004/05 and FY 2005/06 in exchange for the Governor's support of a constitutional amendment to protect local revenues in the future. For Fremont, the loss is $2.7 million in General Fund property tax revenues and $2.3 million in Redevelopment Agency property tax revenues each year, or $5 million a year for two years.

The deal between the Governor and local governments called for the placement of a constitutional amendment, Proposition 1A, on the November 2004 ballot, and for the Governor's active support of the amendment. The measure, which passed by a vote of 84% to 16%, prohibits the Legislature from reducing the share of property tax revenues going to cities, counties, and special districts in any county. It also strengthens prohibitions against unfunded state mandates by requiring the State to suspend State mandates in any year the Legislature does not fully fund those laws.

While these are certainly positive steps, Proposition 1A does not completely protect local governments from future State takeaways. Beginning in FY 2008/09, the Legislature may suspend the Proposition 1A property tax protections if the Governor issues a proclamation of "severe fiscal hardship," the Legislature enacts (by a 2/3 vote of each house) an urgency statute to that effect, and the Legislature enacts a law providing for full repayment of the "borrowed funds," plus interest, within three years. The Legislature may not enact such a suspension more than twice in any ten-year period, and it may only do so if previous borrowing, including Vehicle License Fee (VLF) funding taken in FY 2003/04, has been repaid.

Unfortunately, the State continues to face a substantial structural shortfall in its budget. According to the nonpartisan Legislative Analyst's Office, as of January, the State was facing a projected $8.6 billion budget deficit for FY 2005/06. Although the Governor's January budget proposal includes about $9.1 billion in program savings, funding shifts, loans, and new revenues (allowing the State to close the budget gap and build a small reserve), many of these deficit-closing solutions will be difficult to enact. For example, the Governor's budget proposes holding Proposition 98 school spending roughly even, instead of providing schools with additional funds to meet the target suggested by language adopted with the FY 2004/05 State budget. This proposal has generated significant political opposition and may be withdrawn or defeated by the Legislature.

In addition, many of the budget solutions the Governor relied on last year are short-term in nature, rather than ongoing solutions. The deal with local governments, for example, called for two years of property tax takeaways. The January budget includes a provision to suspend the Proposition 42 transfer of sales taxes on gasoline from the General Fund to transportation funds for an additional two years. This move will save the State's General

Fund approximately $1.3 billion in FY 2005/06. (For Fremont, this suspension equates to a loss of just under $900,000 in local streets and roads funds—money that could and should be used to repair our potholes. This will be the third year in a row that the State has failed to fulfill its Proposition 42 obligations to local governments.) Although these budget strategies will provide some relief in the near-term, they will not solve the State's ongoing structural budget deficit.

Because of this ongoing uncertainty at the State level, we are concerned that the State will exercise its ability to declare a severe fiscal emergency, pay us back for prior takeaways, then take even more funding away in order to balance its own budget. For that reason, the City Council authorized our participation in the VLF Gap Receivables Financing Program this past spring.

In June 2003, the State Director of Finance under the Davis administration ordered the suspension of VLF backfill payments to local governments (to compensate local governments for revenues lost when the VLF rate was lowered from 2% to .65%) because the State General Fund had insufficient funds for this purpose. Beginning in October 2003, the VLF paid by vehicle owners was restored to the original 2% level. Governor Schwarzenegger subsequently reduced the VLF rate back to .65% and restored backfill funding to local governments. However, the State never repaid the funds it owed local governments for the VLF backfill they lost between June 2003, when the payments stopped, and October 2003, when the higher fees were implemented. Fremont's share of this VLF Gap funding is $3.5 million.

As part of the FY 2003/04 budget, the State and local government officials struck an agreement that called for the statewide repayment of the VLF Gap funding by August 15, 2006. Subsequent legislation authorized the California Statewide Communities Development Authority (CSCDA), a


*Fremont enjoys a variety of residential living choices* joint powers authority sponsored by the League of California Cities and the California State Association of Counties, to purchase these VLF Gap Receivables (the VLF funds the State owes local governments). The California Communities VLF Gap Loan Financing Program enables local agencies to sell their VLF receivable to California Communities for an upfront discounted price, rather than waiting until August 2006 to receive the funds.

In February, the City Council authorized the City's participation in the VLF Gap Loan Financing Program, reasoning that receiving the funds 18 months earlier than currently scheduled and transferring the risk of State non-payment from the City to CSCDA was worth the discounted price. The City received $3,270,058 from the sale of this receivable—a loss of $273,982 from the $3,544,040 owed. However, the money is estimated to earn approximately $196,000 in interest income between now and August 2006, resulting in a net loss of only $78,000. Because of the one-time nature of this revenue and because of the financial challenges the City continues to face from both the State budget and the economy, staff recommended and Council agreed to place this money in the City's Budget Uncertainty Reserve. That reserve now contains $11.2 million.

## Impact of Recession and State Takeaways on City Services

In late 2001, when we first became aware that the recession that was gripping the rest of the country had finally come to Fremont, we took immediate action to ensure that our expenditures matched our new, lower revenues. At that time, we reduced our revenue projections, put the brakes on spending, and held many positions vacant. With the passage of the FY 2002/03 budget, we reduced budgets citywide by 2%. When we closed the books on the FY 2001/02 budget in September 2002 and received our final revenue information for that year, we realized that our budget problem was larger than anticipated. We began a process to implement mid-year budget reductions, and we began planning for even larger cuts in FY 2003/04. With the adoption of the FY 2003/04 budget, we cut spending by $22 million, eliminated 224 positions (about half of which were filled), and cut important programs in all areas. We implemented no wholesale cuts in FY 2004/05, but we did hold the line on spending by leaving positions vacant throughout the organization when possible. The result of all of these budget reductions over the years is a slow dismantling of the City as we've shed people and programs to ensure that we can live within our means.

In the public safety arena, we eliminated special police units, cut crime prevention efforts, including most of our work in the schools and neighborhoods, and reassigned most police officers to the patrol function. We also closed Fire Station 11 in the west industrial area, contracted out our fire dispatch service to a regional dispatch consortium, and instituted rotating fire station closures to reduce overtime spending. We continue to have far fewer police and fire personnel than cities in both Alameda and Santa Clara Counties. We have 2.16 public safety employees (both sworn and non-sworn police and fire employees) per 1,000 residents, while Alameda County has 3.34 employees per 1,000 residents and Santa Clara County has 3.46 employees per 1,000 residents. To staff to the average of the cities in these counties, we would need about 140 more police personnel and 110 more fire personnel.

In maintenance, we have reduced maintenance of City streets, trees, buildings, and landscaping, and focused our efforts on safety rather than appearance. Unfortunately, reductions in maintenance have a cumulative effect. The fewer staff and less funding we have to maintain our streets, trees, parks, and City facilities, the more rapidly these community assets will deteriorate. Saving money now by deferring maintenance will lead to costlier repairs in the future.

In addition to reducing funding for police, fire, and maintenance, we have also made dramatic cuts to all other areas of the City organization. Over the past several years, we have eliminated City support for additional County library hours, reduced social service grants to community agencies, cut back our recreation programs and services for seniors, and reduced administrative staff throughout the organization.

## Problem Solving for FY 2005/06

Despite all the cuts we've made over the years—the closed fire station, the elimination of various police units, the reductions in preventative maintenance, and the elimination of positions and programs throughout the City—we anticipate we'll spend more money this fiscal year than we will take in. No matter how hard the Council and staff work to control costs by reducing expenditures, our revenues continue to be a problem. The promised recovery continues to elude us, and our projected revenue growth for next year is only average. Our solution for the near-term involves a combination of ongoing departmental budget cuts and the use of several one-time strategies.

*Tree-lined streets of Fremont as seen from the air*

We are reducing the budgets for all non-safety departments by 5%, or $3.2 million, for FY 2005/06. Unfortunately, these reductions are in addition to the reductions described above, so they will have a real impact on the service levels we can provide. With the 5% ongoing reduction, we are eliminating vacant positions and reducing various program funding. At a citywide level, the City Council and community will notice that it takes longer for staff to respond to service requests and questions. Although we pride ourselves on providing good customer service, the cumulative effect of our staffing reductions will be delayed customer service throughout the organization. We will also have a reduced capacity citywide for thorough analysis of all policy options and little ability to pursue new opportunities to improve services or revenue generation.

Although the Police and Fire Departments were not charged with making 5% reductions, the Police Department is eliminating its Office of Neighborhoods as a result of some vacancies in that division. The department will now have a reduced capacity to conduct public safety neighborhood outreach and problem solving. The Fire Department is also reducing its outreach activities by eliminating most resources for public education.

In Maintenance, the 5% budget reduction equates to a $1 million General Fund reduction. This budget reduction will lead to an even larger deferred maintenance problem because we will be able to do even less street resurfacing, less maintenance of City street trees, less replacement of park equipment, and no weekend trash removal in most parks.

Budget reductions in Development and Environmental Services will affect the Engineering Division's ability to respond to neighborhood traffic concerns. Staff will only be able to respond to immediate safety issues, such as line-of-sight problems and inadequate signage, and will have difficulty responding to requests for speed bumps and other solutions to concerns about speeding.

The Human Services Department will be forced to reduce its services for home-bound seniors and increase fees for Senior Center meals and membership. In Parks and Recreation, the Department will be reducing its services for teens by eliminating the Teen Multicultural Festival, the "Outreach-a-Teen" Scholarship fundraising campaign, and teen liaison efforts to many community programs.

In addition to implementing the 5% departmental reductions for FY 2005/06, we are employing additional strategies to help us balance the budget and avoid deeper service reductions. First, we are reducing General Fund contributions to the Development and Recreation Cost Centers by $500,000 each for one year. Although this step will force the cost centers to consume a portion of their fund balances in order to maintain services, it will provide needed relief to the General Fund.

Second, we will consume our remaining $2.8 million of General Fund fund balance in FY 2005/06. (In comparison, we are using $7.7 million of fund balance in FY 2004/05. That $7.7 million is the difference between our estimated revenues and estimated expenditures for the 2004/05 fiscal year.)

Finally, we will need to consume $3.2 million of our $11.2 million Budget Uncertainty Reserve to balance the budget. Taken together, these two actions mean that by the end of FY 2005/06, we will have spent our entire checking account (our General Fund fund balance), and we will have tapped into our savings account (the Budget Uncertainty Reserve) for the first time.

Had we not made significant budget reductions in prior years, our General Fund fund balance would have been spent long ago. Without this fund balance, we would have been forced to tap into our reserves earlier or make even deeper budget reductions in order to ensure that we have sufficient resources to balance our budget.

## Problem Solving for the Future

It's clear that budget cuts, use of fund balance, and use of reserves are not a permanent solution to our ongoing problem of rising costs and insufficient revenues. Bridging strategies cannot be sustained, and many of our departments, particularly Police and Fire, have already been cut too far. In order to provide adequate and appropriate services, the City needs new revenues.

In 2004, the City Council tried to resolve the City's budget problems by placing Measure V on the November 2004 ballot. Measure V would have raised as much as $24 million for City services by levying a 6% utility users tax (UUT) on the use of electricity, natural gas, telephone (wired and wireless), cable television, water, and sewer. Unfortunately, the voters rejected Measure V by a vote of 55.3% to 44.7%. With the failure of Measure V, increasing costs, and no sign of a significant recovery, we must either reduce the budget even further or develop alternatives for funding the services that the community wants. Over the next year, City staff will



*Pacific Commons, Fremont's new, large retail center* work on a community outreach effort in order to determine what service levels the community wants and can afford.

At the same time, economic development will continue to be an important source of new revenue for the City. We are working closely with developers on two major retail development efforts, the new retail center at Pacific Commons and a new Downtown along Capitol Avenue, and several smaller initiatives in the historic districts in order to expand and diversify the City's retail sales tax base.

The Pacific Commons retail center, located at I-880 and Auto Mall Parkway, opened its first stores in October 2004. The center features a wide variety of stores and restaurants, including Costco, Lowe's Improvement Center, Kohl's Department Store, Circuit City, Bassett Furniture, DSW Shoes, Jamba Juice, Linens-N-Things, Office Depot, Ohana Hawaiian BBQ, Old Navy, Quizno's, Pick Up Stix, Premier Pizza, Rubio's Mexican Restaurant, Starbucks, and Party America. The project also includes an attractive and interesting pedestrian promenade, public art, and an enjoyable and family-friendly shopping experience. A large portion of Pacific Commons still remains to be developed and is currently zoned for office, R&D and warehouse uses. The City is in the process of analyzing the possibility of new land uses for that area, both from a land use planning and an economic feasibility perspective. The Council will be considering the results of that study and any corresponding recommended changes to the zoning during the 2005/06 fiscal year.

We are also making progress toward creating a vibrant, pedestrian-friendly Downtown Fremont. In FY 2003/04, the City entered into a collaborative relationship with a development team to develop concept plan alternatives and a business plan necessary to implement the project. In March 2005, the Council authorized staff to proceed with analysis of a mixed-used alternative. A Concept Plan, Business Plan, and Finance Plan will be presented to the City Council in July 2005, with the expectation the City will then move toward entering into a contractual agreement in 2006 for construction of a project along Capitol Avenue between Fremont Boulevard and State Street.

In the interim, the Fremont Hub has undergone significant renovation, bringing in new stores and relocating and expanding others. The Shops at Washington West, meanwhile, have been a great success. Located at Mowry Avenue and Paseo Padre Parkway, the Shops are now home to Peet's Coffee, Chipotle, Walgreen's, Robeks Juice, the Flower Shop, and the Gift Gallery. More shops should be opening over the next year.

We are also continuing to make strides in our historic districts. In Centerville, for instance, the Redevelopment Agency selected a developer to build a retail-based, mixed-use project on the 6.8-acre Centerville Unified Site. The project calls for the development of 58,000 square feet of retail and 110 townhome-style condominiums on this site. The new development will feature a high-quality, pedestrian-oriented environment that combines dining, retail, and residential uses. This project is expected to serve as a catalyst for additional retail and restaurant development in the area.

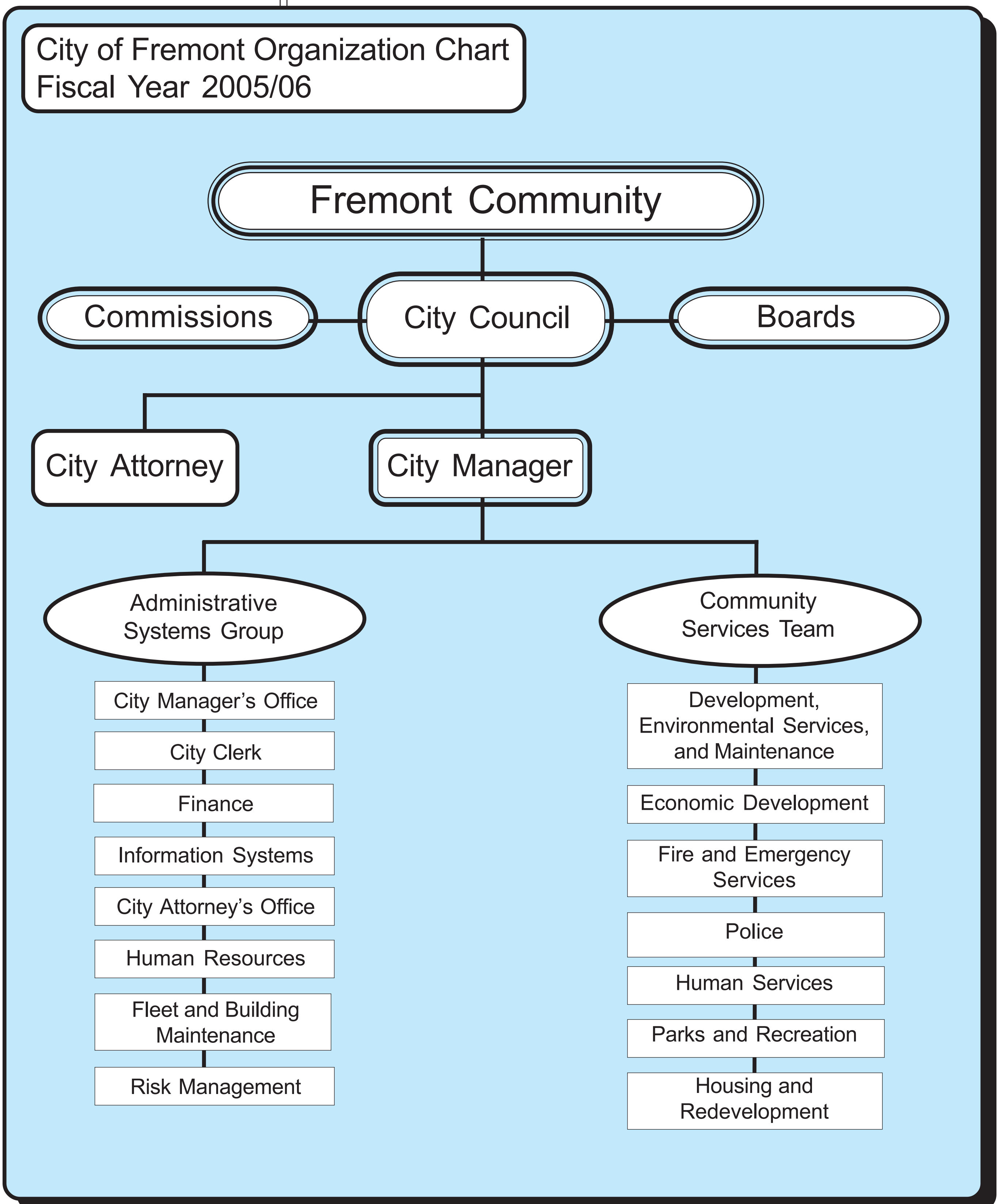
In Irvington, our efforts have been primarily focused on improving transportation in order to relieve traffic congestion and facilitate economic development. The Redevelopment Agency is contributing about $31 million to the $80 million Washington Boulevard and Paseo Padre Parkway Grade Separation Project, which will construct a railroad overpass at Washington Boulevard and an underpass at Paseo Padre Parkway. Once completed, this project will relieve traffic congestion, improve safety, and provide important infrastructure necessary for the extension of BART through Fremont.

## Conclusion

Fremont will celebrate its 50th anniversary on January 23, 2006. In honor of this historic event, a large number of community members have joined together to form Celebrate Fremont, an organization dedicated to celebrating Fremont's past, present, and future. It's clear from the success of Celebrate Fremont that people here care deeply about their community. They want to help, they want to participate, they want to maintain Fremont as a safe place to raise their families, and they want to leave a legacy for future generations. Our mission as City leaders is to find more effective ways to work with our residents and business community to ensure that Fremont remains a place that people will want to celebrate now and in the future.

Fred Diaz
City Manager

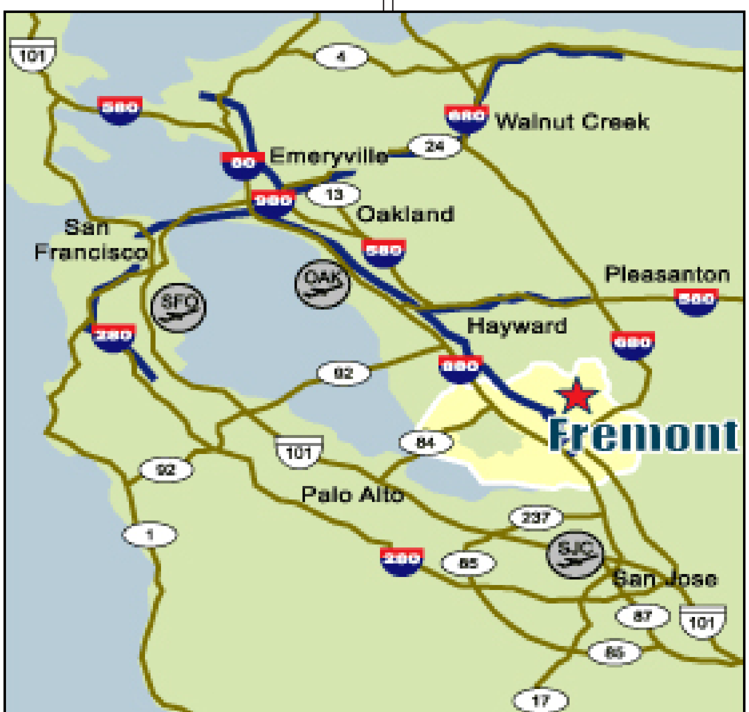

*Washington West, a successful new grouping of shops and restaurants located at Paseo Padre Parkway and Mowry Avenue*


City of Fremont Organization Chart
Fiscal Year 2005/06
Fremont Community
Commissions
City Council
Boards
City Attorney
City Manager
Administrative Systems Group
City Manager's Office
City Clerk
Finance
Information Systems
City Attorney's Office
Human Resources
Fleet and Building Maintenance
Risk Management
Community Services Team
Development, Environmental Services, and Maintenance
Economic Development
Fire and Emergency Services
Police
Human Services
Parks and Recreation
Housing and Redevelopment

# City of Fremont Profile

## History

Fremont's rich heritage can be traced to the Ohlones, natives of the land, and to the Spanish priests who established Mission San Jose, the first Spanish mission located inland. Since those early days, Fremont's rich soil, central location, and excellent climate have continued to attract newcomers to this area. In the mid-1840s, John C. Frémont mapped a trail through Mission Pass to provide access for American settlers into the southeastern San Francisco Bay Area. During the Gold Rush era, the Mission area attracted miners headed for the California gold fields. Governor Leland Stanford acquired land in the Warm Springs area, where he planted vineyards and built one of the first wineries in the state. The Niles district made history when the last tracks needed to connect the transcontinental railroad were laid there. Further acclaim came to Niles when Charlie Chaplin filmed "The Tramp" at the Essanay Movie Studio there. In 1853, Washington Township was established and included the communities of Mission San Jose, Centerville, Niles, Irvington, and Warm Springs. On January 23, 1956, these communities joined to form the City of Fremont.




## Quality of Life

Fremont, located in southern Alameda County, stretches from the San Francisco Bay to the top of Mission Peak above historic Mission San Jose in the east. With a population of over 210,445, Fremont is the fourth largest city in the San Francisco Bay Area and ranks 91st among the most populous cities in the nation according to the California State Department of Finance. Fremont is approximately 92 square miles in size and includes the 450-acre Central Park and 80-acre Lake Elizabeth, along with 51 other parks, five community centers, and extensive sports facilities. Fremont is also home to the Don Edwards San Francisco Bay National Wildlife Refuge, adjacent to Coyote Hills Regional Park.

Fremont enjoys a high rate of home ownership, a low crime rate, and a quality of life that is considered to be one of the best in the United States. For example, Fremont was rated as the best place in which to raise healthy children in the nation, and Men's Health magazine rated Fremont #1 in the nation for men's health. Fremont residents can expect a first-rate menu of local services, including a highly rated public education system, excellent public safety program, and recreation, park, and other leisure activities. In addition to beautiful parks and extensive recreational facilities, Fremont is easily accessible to three international airports, several major educational institutions, the Bay Area Rapid Transit system, and professional sports and cultural opportunities. Fremont is also home to Washington Hospital, a community asset for over 50 years.

## Government

*Incorporated January 23, 1956*

*Fremont is a General Law Council/ Manager City governed by a five-member City Council with a directly elected Mayor, all elected at large.*

*Number of directly elected Mayors (since 1978): 5*

*Number of City Managers since Incorporation: 7*

*Full-time Employees*
*FY 2005/06*[1]
Develop. & Env. Services.....123.20
Economic Development ...........4.64
Fire………………................153.00
General Government….…….88.60
Human Services..…......…..43.97
Maintenance…………..…...129.30
Police…………………....…294.00
Parks and Recreation…….......33.35
Housing and Redevelopement....14.54
Total……………..…........884.60

## Demographics

*Land Area*: 92 square miles

*Population*
1956…………...……………22,443
1960……………………..……43,634
1970…………….………..…102,321
1980…………...…………..127,454
1990……………...………..173,116
2000………...…………….203,413
2005[2] .................................210,445

*Climate*[3]
*Average Temperature*: 59°F (15°C)
*Avg. Annual Precipitation*: 13.6"

*Level of Educational Attainment of people 25 years and older*[4]
College Degree………………43%
Associate Degree.........………8%
Some College, no Degree……20%
High School Graduate………17%
Grades 9-12 (No Diploma)..…7%
Less than 9th Grade…………..5%

*Median Age*[4]: 35

*Mean Household Income (2005 projection)*[5]: $100,500

*Racial Composition*[4]
Asian……………………..……37%
African-American…………….3%
White…………………………48%
Other………………………..…6%
Two or more...........…….……..6%
(Hispanic/Latino may be of any race)

## Business

*Major Employers, listed in order of number of employees*[6]
New United Motor Mfg. (NUMMI)
Lam Research Corporation
MMC Technology
Office Depot
Solectron California Corp./Fine Pitch
Sysco Food Services
Western Digital
Kaiser Permanente Medical Group
Sanmina-SCI
Scios Inc.
Zomax Incorporated
Abgenix Inc.
Therma Wave Inc.
Quanta Computer
Mervyn's Distribution Center
Spectra Laboratories Inc.
Fry's Electronics Inc.
Boston Scientific/Target
Walters & Wolf Glass Co.
Elo TouchSystems, Inc.

*Distribution of jobs by major employment sectors (2005 projection)*[5]
Agriculture/Nat. Resources……...0.1%
Manufac./Wholesale/Trans.…….40.9%
Retail………………………..….9.9%
Financial/Prof. Service…………...16.5%
Health/Ed./Recreation.…………...22.6%
Other…………………………10.0%
Total Jobs……………......….96,530

## Community Services

*Family Resource Center:* 1
*Parks*: 52
*Senior Center:* 1
*Community Centers*: 5
*Fire Stations:* 10

## Services by Other Governmental Units

*Education*: Fremont Unified School District and Fremont-Newark Community College District

*Flood*: Alameda County Flood Control and Water Conservation District

*Parks:* East Bay Regional Park District

*Public Transportation*: Bay Area Rapid Transit District, Alameda-Contra Costa Transit District, ACE Train, and Capitol Corridor Train.

*Sewer*: Union Sanitary District

*Gas and Electricity*: Pacific Gas and Electric

*Water*: Alameda County Water District

## Education

*Fremont Unified School District (FUSD) has 29 elementary schools, 5 junior high schools, 5 high schools and a continuation school.*

*FUSD Average SAT Score*[7]*:* 1121

*Percentage of FUSD graduates attending*[8]*:*
*University of California:* 19.4%
*California State University:* 13.6%

*Ohlone College is a public, two-year, open-admission community college with an average enrollment of 11,551 students per semester.*[9]

## Notes

[1] FY 2005/06 Proposed Operating Budget, City of Fremont

[2] California State Department of Finance

[3] National Weather Service

[4] U.S. Census 2000

[5] Association of Bay Area Governments (ABAG)

[6] City of Fremont, Economic Development Department

[7] Fremont Unified School District

[8] California Postsecondary Education Commission

[9] Ohlone College, Office of College Relations

# All City Funds Schedule

The "Summary of All Funds" schedule on the following page groups the City's funds into five categories:

- General
- Cost Center/Internal Service
- Special Revenue
- Redevelopment
- Capital

The first three groups are the operating funds of the City, and the last two are special classes of funds. The majority of funding for City operations and most of the City's services is derived from the first three groups.

The budget for the Fremont Redevelopment Agency is adopted separately by the City Council when it sits as the governing board of the Redevelopment Agency. The budget for capital funds is reviewed and adopted by the City Council as part of the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP). Included with the City Council's adoption of the CIP/ICAP are the FY 2005/06 appropriations for Maintenance.

The "Summary of All Funds" schedule consolidates all funds Citywide and presents the total available resources and total use of resources, including beginning fund balances, revenues, expenditures, "operating transfers in," and "operating transfers out." This budget document is different from some other cities' budgets and the City's financial statements because governmental accounting treats many "interfund transactions"as revenues in one fund and expenditures in another fund. As a consequence, there is an overstatement of true revenues and expenditures that accrue to the City. This budget reclassifies revenues and expenditures where double counting would otherwise occur. As a result, the "Total Expenditures" and "Total Revenues" lines for all funds present the true budgeted expenditures and revenues expected to be received and spent by the entire organization.

*Please refer to the General Fund section and the Other Funds section of this document for more information.*

## Summary of All Funds

| (Thousands of Dollars) | Total General Fund | Cost Center/ Internal Service Funds | Special Revenue Funds | RDA Funds | Capital Funds | Total All Funds |
|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 31,201** | **$ 9,929** | **$ 15,497** | **$ 90,761** | **$ 17,032** | **$ 164,420** |
| **Revenues** | | | | | | |
| **Intergovernmental:** | | | | | | |
| Property Taxes | 39,239 | - | - | 29,553 | - | 68,792 |
| State ERAF III Revenue loss | (2,730) | - | - | (2,316) | - | (5,046) |
| In-lieu VLF | 11,948 | - | - | - | - | 11,948 |
| In-lieu Sales Tax | 7,038 | - | - | - | - | 7,038 |
| Sales & Use Taxes | 22,374 | - | 709 | - | - | 23,083 |
| Vehicle License Fees | 1,713 | - | - | - | - | 1,713 |
| Other Intergovernmental | 766 | 53 | 6,188 | - | 5,485 | 12,492 |
| Business Taxes | 6,302 | - | - | - | - | 6,302 |
| Hotel/Motel Taxes | 2,121 | - | - | - | - | 2,121 |
| Property Transfer Taxes | 2,207 | - | - | - | - | 2,207 |
| Franchise Fees | 7,563 | - | - | - | - | 7,563 |
| Charges for Services | 3,394 | 18,995 | 6,922 | - | 2,400 | 31,711 |
| Fines | 3,046 | - | - | - | - | 3,046 |
| Investment Earnings | 1,366 | 300 | 50 | 1,750 | 1,821 | 5,287 |
| Paramedic Fees | 1,167 | - | - | - | - | 1,167 |
| Sale of Bonds | - | - | - | - | - | - |
| Other Revenues | 832 | 260 | 428 | 5,075 | 2,355 | 8,950 |
| **Total Revenues** | **108,346** | **19,608** | **14,297** | **34,062** | **12,061** | **188,374** |
| Total Transfers In | 7,328 | 4,010 | 185 | - | 28,689 | 40,212 |
| **Total Available Resources** | **146,875** | **33,547** | **29,979** | **124,823** | **57,782** | **393,006** |
| **Expenditures** | | | | | | |
| General Government | 11,318 | - | - | - | - | 11,318 |
| Public Safety: | | | | | | |
| Police | 46,195 | - | 1,099 | - | - | 47,294 |
| Fire | 26,809 | - | 334 | - | - | 27,143 |
| Development & Environmental Services: | | | | | | |
| Planning | - | 3,343 | - | - | - | 3,343 |
| Building & Safety | - | 4,667 | - | - | - | 4,667 |
| Engineering | - | 7,608 | - | - | - | 7,608 |
| Community Preservation | 633 | - | - | - | - | 633 |
| Environmental Services | - | - | 6,021 | - | - | 6,021 |
| Human Services | 2,896 | 708 | 6,482 | - | - | 10,086 |
| Maintenance | - | - | - | - | 21,235 | 21,235 |
| Recreation | - | 5,501 | - | - | - | 5,501 |
| Housing and Redevelopment | - | - | 258 | 68,735 | - | 68,993 |
| Non-departmental | 2,420 | 50 | - | - | 3,660 | 6,130 |
| Less: Citywide Savings | (1,000) | | | | | (1,000) |
| Debt costs | 150 | - | 461 | 7,500 | 6,091 | 14,202 |
| **Total Expenditures** | **89,421** | **21,877** | **14,655** | **76,235** | **30,986** | **233,174** |
| Total Transfers Out | 31,380 | 3,051 | 853 | 309 | 4,619 | 40,212 |
| **Total Use of Resources** | **120,801** | **24,928** | **15,508** | **76,544** | **35,605** | **273,386** |
| **Fund Balance - 6/30/06 (est.)** | **$ 26,074** | **$ 8,619** | **$ 14,471** | **$ 48,279** | **$ 22,177** | **$ 119,620** |

**Note:** Some internal charges between funds are classified as either transfers or expenditures to clarify departmental budget resources and appropriations. This results in minor differences between the individual departmental budgets and amounts shown in the Summary of All Funds schedule above.

# Citywide Position Changes

The FY 2005/06 budget includes 884.6 full-time equivalent (FTE) permanent positions, a decrease of 7.7 FTEs from the FY 2004/05 adopted staffing level. In relation to Fremont's population, **this is the lowest staffing level in at least 16 years, and it is the lowest in Alameda County.** The FY 2005/06 budget includes reductions in all areas except core public safety services. In many departments, these budget reductions are prompting further staffing reductions, which reflect continued reductions of service to the community.

- Maintenance will have 2.75 fewer FTEs to maintain public facilities, extending the cumulative loss in permanent staffing since FY 2002/03 to 23.7 FTEs, or 15%.
- The Police Department eliminated its remaining neighborhood activation support programs and two associated positions. The department is also eliminating two dispatcher positions that had been part of the strategy to transition to a contract for Fire dispatch services. An additional non-sworn vacant position that was approved for FY 2004/05 is being eliminated. This position was to have been funded by a new fee that was never adopted.
- Administrative departments will have 3.6 fewer FTEs than in FY 2004/05, resulting in a 21% lower administrative staffing level than in FY 2002/03.

Virtually all positions added for FY 2005/06 will be funded with restricted, non-General Fund revenue that cannot be used for General Fund service areas such as public safety or maintenance. Details on specific positions added or eliminated may be found in the departmental section of the budget document.

| | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|---|---|---|---|---|---|---|---|
| **PUBLIC SAFETY** | | | | | | | | |
| Fire* | 202.00 | 202.00 | 205.00 | 176.20 | 176.00 | 157.60 | **153.00** | **153.00** |
| Police | 299.75 | 313.75 | 322.75 | 337.75 | 337.75 | 292.90 | **299.10** | **294.00** |
| **TOTAL** | 501.75 | 515.75 | 527.75 | 513.95 | 513.75 | 450.50 | **452.10** | **447.00** |
| **OTHER COMMUNITY SERVICES** | | | | | | | | |
| Development & Environ. Svc | 122.00 | 120.25 | 122.70 | 146.80 | 147.70 | 121.42 | **121.00** | **123.20** |
| Economic Development | 3.24 | 2.75 | 4.00 | 6.00 | 4.70 | 3.64 | **4.75** | **4.64** |
| Human Services | 30.95 | 33.45 | 36.45 | 40.95 | 44.95 | 40.57 | **40.67** | **43.97** |
| Maintenance | 124.00 | 130.00 | 134.00 | 145.00 | 153.00 | 131.50 | **132.05** | **129.30** |
| Parks and Recreation | 37.10 | 37.10 | 39.10 | 38.60 | 40.25 | 36.10 | **34.85** | **33.35** |
| Housing and Redevelopment | 2.26 | 14.00 | 15.30 | 16.05 | 17.35 | 13.04 | **14.68** | **14.54** |
| **TOTAL** | 319.55 | 337.55 | 351.55 | 393.40 | 407.95 | 346.27 | **348.00** | **349.00** |
| **ADMINISTRATIVE SYSTEMS** | | | | | | | | |
| City Manager's Office | 8.70 | 12.00 | 12.00 | 4.00 | 4.00 | 3.00 | **3.00** | **3.00** |
| Administrative Systems Office | | | | 12.00 | 11.10 | 5.50 | **6.50** | **5.30** |
| City Attorney | 6.60 | 9.60 | 11.00 | 13.00 | 13.00 | 12.00 | **11.00** | **10.75** |
| City Clerk | 10.00 | 10.00 | 10.00 | 9.00 | 10.50 | 7.50 | **7.40** | **6.40** |
| Finance | 27.50 | 27.50 | 30.65 | 29.65 | 30.05 | 25.40 | **26.40** | **25.75** |
| Information Systems | 9.30 | 13.00 | 16.00 | 18.00 | 21.00 | 20.40 | **20.40** | **20.40** |
| Human Resources | 17.00 | 14.00 | 16.50 | 21.00 | 21.00 | 17.00 | **17.50** | **17.00** |
| **TOTAL** | 79.10 | 86.10 | 96.15 | 106.65 | 110.65 | 90.80 | **92.20** | **88.60** |
| **CITYWIDE TOTAL** | **900.40** | **939.40** | **975.45** | **1014.00** | **1032.35** | **887.57** | **892.30** | **884.60** |

* Authorized staffing for the Fire Department included 36 FTEs associated with the Union City fire service contract. The contract was dissolved in FY 2000/01.

# City Debt Summary

Cities have primarily three choices in financing their operations and funding public facilities: pay-as-you-go, debt financing, and public-private ventures. The City has adopted a Long-Term Capital Debt Policy that sets the guidelines for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. The City will consider the issuance of long-term debt obligations only under the conditions outlined in the policy displayed in the Policies section of this document. Present and future planned debt payments affecting the operating budget are detailed on the "transfers summary" located in the General Fund section of this budget.

The charts below summarize the City's existing long-term debt and future debt obligations related to that existing debt.

## Debt Outstanding Fiscal Years Ending 2004 and 2005

| | 2004 | 2005 |
|---|---|---|
| **Redevelopment Agency** | | |
| Redevelopment Agency Tax Increment Tax Allocation Bonds, Series 2000 | $41,730,000 | - |
| Redevelopment Agency Tax Increment Tax Allocation Bonds, Series 2004 (refi.of 2000) | - | $40,885,000 |
| Redevelopment Agency Tax Increment Tax Allocation Bonds, Series 2003 | 18,045,000 | 18,045,000 |
| **Total Tax Allocation Bonds** | **$59,775,000** | **$58,930,000** |
| **General Obligation Bonds** | | |
| General Obligation Bonds, Election of 2002 Series A | $10,000,000 | $9,820,000 |
| General Obligation Bonds, Election of 2002 Series B | - | 25,000,000 |
| **Total General Obligation Bonds** | **$10,000,000** | **$34,820,000** |
| **City's Certificates of Participation - General Fund** | | |
| 1990 Public Financing Authority | $5,200,000 | $4,900,000 |
| 1991 Public Financing Authority | 4,000,000 | 3,900,000 |
| 1998 Public Financing Authority | 18,110,000 | 17,595,000 |
| 2001 Public Financing Authority | 34,220,000 | 33,545,000 |
| 2001B Public Financing Authority | 9,750,000 | 9,430,000 |
| 2002 Public Financing Authority | 36,820,000 | 35,990,000 |
| 2003 Public Financing Authority | 21,930,000 | 21,930,000 |
| **Sub-Total** | **$130,030,000** | **$127,290,000** |
| **1998 Public Financing Authority (Fremont Family Resource Center)** | **$11,570,000** | **$11,335,000** |
| **Total Certificates of Participation** | **$141,600,000** | **$138,625,000** |
| **Total Tax Increment and General Obligation Bonds and Certificates of Participation** | **$211,375,000** | **$232,375,000** |

## Annual Debt Service Requirements

| | City's Certificates of Participation - Source of Payment General Fund | City's Certificates of Participation - Source of Payment Fremont Family Resource Center | General Obligation Bonds Election of 2002 Series A | General Obligation Bonds Election of 2002 Series B | Redevelopment |
|---|---|---|---|---|---|
| FY 2005/06 | $ 7,023,845 | $ 523,794 | $ 622,918 | $ 914,003 | $ 7,500,436 |
| FY 2006/07 | 7,364,469 | 532,388 | 619,268 | 1,146,485 | 7,504,521 |
| FY 2007/08 | 7,114,434 | 536,064 | 614,918 | 1,146,485 | 7,498,856 |
| FY 2008/09 | 7,244,884 | 548,219 | 609,868 | 1,146,485 | 7,498,596 |
| FY2009/10 | 7,253,976 | 556,047 | 597,968 | 1,647,560 | 7,496,286 |
| Thereafter | 137,727,610 | 12,579,087 | 13,731,202 | 41,914,997 | 32,140,524 |
| **Total Principal & Interest** | 173,729,218 | 15,275,599 | 16,796,142 | 47,916,015 | 69,639,219 |
| Less Interest | (46,439,218) | (3,940,599) | (6,976,142) | (22,916,015) | (10,709,219) |
| **Total Principal** | **$ 127,290,000** | **$ 11,335,000** | **$ 9,820,000** | **$ 25,000,000** | **$ 58,930,000** |

**Legal Debt Margin**

Under State law, the City has a legal debt limitation not to exceed 15% of the total assessed valuation of taxable property within the City boundaries. In accordance with California Government Code Section 43605, only the City's general obligation bonds are subject to the legal debt limit. With only $34,820,000 of outstanding debt subject to the legal debt limit and a legal debt limit of $3,743,017,107, the City is not at risk of exceeding its legal debt limit.

**Computation of Legal Debt Margin as of June 30, 2004**

| | |
|---|---|
| Assessed Valuation (Net)[1] | $ 25,185,580,713 |
| Debt Limit: 15% of assessed value | $ 3,777,837,107 |
| Less Outstanding Debt: General Obligation Bonds<br>*(Subject to Legal Debt Limit)* | 34,820,000 |
| Legal Debt Margin | $ 3,743,017,107 |

[1] Source: Alameda County Controller's Office Certification.

**Compliance with Long-Term Debt Policy**

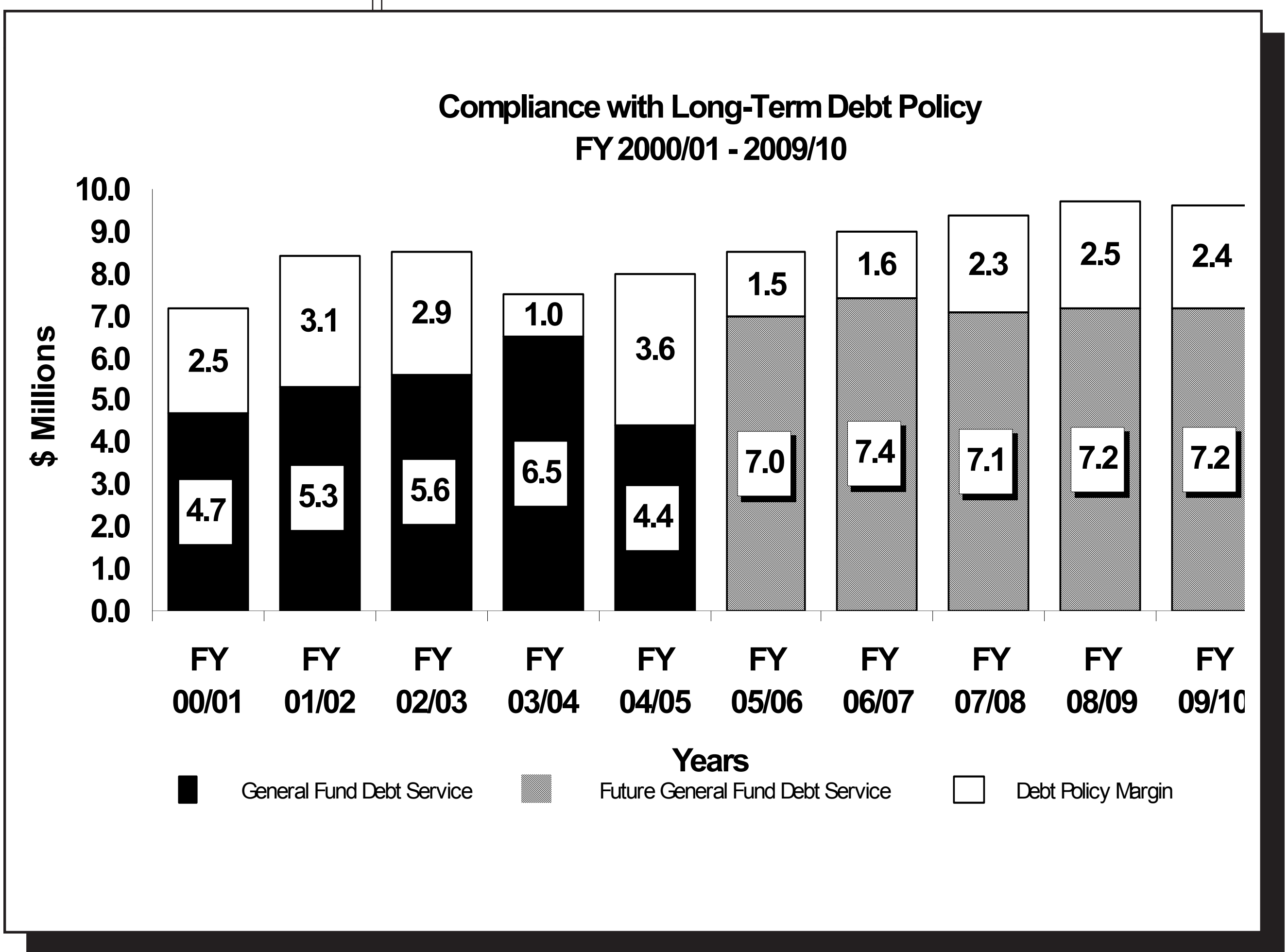
The City of Fremont's Long-Term Capital Debt Policy, adopted by the City Council on May 7, 1996, and revised and readopted with the CIP/ICAP on July 8, 1998, requires that General Fund supported debt service not exceed 7% of total General Fund budgeted expenditures and transfers out. With FY 2005/06 General Fund-supported debt service at $7,023,845, and a debt service limit of $8,516,690, the City has not exceeded its debt service limit.

**Computation of Compliance with Debt Service Limit**

| | |
|---|---|
| Total General Fund Budgeted Expenditures and Transfers Out | $ 121,667,000 |
| Policy Debt Level Limit,<br>7% of Total Budgeted Expenditures and Transfers Out | $ 8,516,690 |
| Less General Fund Supported Debt Service | 7,023,845 |
| Policy Debt Margin | $ 1,492,845 |

## Compliance with Long-Term Debt Policy

The City's Long-Term Debt Policy limits General Fund-supported debt to a maximum of 7% of total General Fund budgeted expenditures and transfers out. The City has been in compliance with this policy since it was adopted by the City Council in 1996. General Fund-supported debt has remained on average 30% lower than the maximum debt allowance. The forecast for long-term debt indicates that the City will remain in compliance and will not exceed 7% of total General Fund budgeted expenditures and transfers out. In the next five years, the average General Fund-supported debt will be $7.2 million. The forecasted average debt is 25% below the projected debt limit; this is comparable to the average debt over the past five years.



# Gann Limit

Article XIIIB of the California Constitution (enacted with the passage of Proposition 4 in 1979, with modifications under Proposition 111 passed in June 1990 and implemented by California Government Code sections 7900, and following) provides the basis for the Gann appropriation limitation. In brief, the City's appropriations growth rate is limited to changes in population and either the change in California per capita income or the change in the local assessment roll due to new, non-residential construction.

The formula to be used in calculating the growth rate is:

$$\frac{\text{\% change in population} + 100}{100}$$

***times***

***either***

$$\frac{\text{\% change in per capita income} + 100}{100}$$

***or***

$$\frac{\text{\% change in non-residential assessed value} + 100}{100}$$

The resultant rate times the previous appropriation limit equals the new appropriation limit.

Both the California per capita personal income price factor and the population percentage change factors are provided by the State Department of Finance to local jurisdictions each year. Population percentage change factors estimate changes in the City's population between January of the previous fiscal year and January of the current fiscal year. Reports that present changes in new, non-residential assessed value are provided by the County of Alameda. These numbers provide the basis for the factor to be used in the City's calculation of the Gann Limit. Of the two methods above, the City is using the "change in non-residential assessed value" factor because it results in the higher appropriations limit.

On May 1, 2005, the State Department of Finance notified each city of the population changes and the per capita personal income factor to be used in determining appropriation limits. Using the change in assessed valuation for new, non-residential construction method, the calculation as applied to the City of Fremont for 2004/05 is:

The population on January 1 of the previous year (208,931) compared to the population on January 1, 2005 (210,445), is 1514 or a 0.72% increase.

The change in the assessed value for new, non-residential property is 11.52%.

The factor for determining the year-to-year increase is computed as:

$$\frac{0.72 + 100}{100} \quad \text{X} \quad \frac{11.52 + 100}{100} \quad = \quad 1.1232$$

Applying this year's factor of 1.1232 to last year's limit of $355,490,754, the Gann Limit for FY 2005/06 yields $399,287,215.

Based on an operating budget of $121,667,000, Fremont is not at risk of exceeding the Gann Limit. The Gann Limit will be adopted by the City Council concurrently with the adoption of the FY 2004/05 operating budget.

**City Council's Vision:**

*Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.*

**Fremont:**
**Where America's Main Street meets the global future**

**Organizational Vision:**
*The people of our organization feel part of a team creating a strong and vital community, continually satisfying customers, and accomplishing this work with pride and enjoyment.*

**Long Term Outcomes from the 2020 Strategic Plan:**

1. **Dynamic local economy:** A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.

2. **An engaged and connected multicultural community:** Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.

3. **Thriving neighborhoods:** Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make sure Fremont stays a great place in which to raise children.

4. **Live and work in Fremont:** A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.

5. **Interesting places and things to do:** Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.

6. **Effective transportation systems**: A variety of transportation networks that make travel easy throughout Fremont.

## Key Five-Year Goals 2002-2007

Key five-year goals have been established and are aligned with strategies in order to provide focus and outline priorities for progress toward the vision. These short-term operational goals are intended to guide departmental resource planning for the near future toward the achievement of the City Council's vision.

## Dynamic local economy

- Complete an economic development strategic plan and a business marketing plan
- Capitalize on the global community and business connections existing in Fremont
- Help businesses improve emergency preparedness and security practices

## An engaged and connected multicultural community

- Engage Fremont's diverse cultural groups
- Increase diversity in the volunteer base, boards, and commissions
- Increase staff with language and culture skills
- Create interaction among leaders of various cultural communities
- Create opportunities for young people from all cultural backgrounds
- Develop multi-lingual media connections

## Thriving neighborhoods

- Grow neighborhood area identities
- Implement a comprehensive housing preservation strategy
- Identify capital funding sources for aging public facilities
- Develop a community identity for Ardenwood

## Live and work in Fremont

- Increase the amount of housing considered affordable
- Promote a variety of housing types
- Connect local residents to local jobs
- Establish strong connections among higher education, employers, and the City

## Interesting places and things to do

- Construct a prototype block for the Central Business District
- Complete redevelopment of a major site in each of the historic areas
- Attract upscale retailers and restaurants
- Construct a water play park facility in Central Park
- Build community support for a cultural arts facility
- Acquire and develop parkland

## Effective transportation systems

- Begin construction on the BART extension to Warm Springs
- Secure a funding plan for the Irvington BART station
- Improve traffic safety and signal coordination
- Ensure an effective bus system
- Create a significantly improved paratransit system
- Complete preliminary design and funding plan for an I-680/I-880 connector

## Enduring Community Values and Core Services

The City provides high quality services to the community that create the safe, well-maintained neighborhoods, parks, streets, community centers, and commercial areas the public expects. The many services provided by the City of Fremont reflect enduring community values, the reasons people choose to live and work in Fremont.

### *Value:* Strong community leadership

City Council, Boards, and Commissions work with the community to create the long-term vision for Fremont and provide policy direction and guidance to the City organization. The City Manager and staff carry out the long-term vision on a daily basis through a variety of services and activities.

**Services supporting this value:**
- Strategic planning
- Land use planning
- Budget development
- Regional, state, and national leadership
- Stewardship of public funds
- Legislative initiatives
- Policy direction

### *Value:* A safe community

People value a feeling of safety and security within their community. In Fremont, residents work together and with City staff to prevent crime and solve problems in their neighborhoods.

**Services supporting this value:**
- Community policing and patrol
- Crime prevention education
- Crime investigation
- Fire prevention and suppression
- Emergency medical services
- Community Emergency Response Teams
- Neighborhood Crime Watch
- Hazardous materials management
- Animal services
- Building safety
- Traffic engineering

### *Value:* Vibrant local economy

The local economy is comprised of a strong, diversified commercial and industrial base, providing high quality employment for the region. It is balanced with a strong retail sector and healthy neighborhood commercial districts.

**Services supporting this value:**

- Business retention and attraction
- Historic commercial district redevelopment
- Marketing and communications for economic development
- Fire Department Business Liaison Program
- High Tech Crime Task Force
- Responsive development processing and one stop Development Center

## *Value:* Thoughtful, orderly use of land and protection of environmental resources

The City values a harmonious blend of natural and physical environments, with particular priority for preservation of open space, such as the hillface and bay wetlands. Thoughtful land use and conservation also protect people's social and financial investments in the community.

**Services supporting this value:**
- Land use planning
- Community preservation
- Development plan review
- Environmental services
- Park maintenance

## *Value:* Safe and effective transportation systems

Quality of life is highly dependent on high quality transportation systems, which enable people to get around easily. Alternatives to automobile transportation, such as walking, cycling, and public transit are also valued.

**Services supporting this value:**
- Street design and engineering
- Street and median maintenance
- Traffic system and signal engineering
- Infrastructure construction inspection
- Architecture and structural engineering
- Paratransit services
- Advocacy for improved public transit and regional infrastructure investment

## *Value:* Public facilities and programs for recreation

Public facilities provide individual and family entertainment, relaxation, and education. Fremont's public amenities include parks, community centers, historic estates, a golf course, and related programming.

**Services supporting this value:**
- Park planning and maintenance
- Urban forestry
- Recreation programs
- Multi-service senior centers
- Library maintenance and service enhancement

## *Value:* Historic character

Preservation of historic properties, neighborhoods, and commercial districts enables the community to adapt to change and embrace a progressive future while remaining true to its heritage and historic character.

**Services supporting this value:**
- Neighborhood commercial redevelopment
- Recreation program planning
- Community preservation
- Land use planning

## *Value:* Building a caring community

Fremont is a community where members care for each other and value services that help families and individuals to live self-sufficiently with a respectable quality of life. The community values a range of housing opportunities balanced with employment opportunities to ensure that people who work in Fremont may also live here.

**Services supporting this value:**
- Homeownership and affordable housing development
- Family Resource Center
- Support and coordination for non-profit social services agencies
- Family counseling and support
- Youth employment assistance
- Senior support services and Senior Center
- Community policing
- Community Emergency Response Team program
- Intergenerational volunteer programs
- Community engagement programs
- Multi-cultural programs

## *Value:* Strong families and healthy children

Fremont is proud of its identity as an excellent place for families and children. The City partners with the school district and other agencies and groups to foster growth in families and provide opportunities for youth development and community involvement.

**Services supporting this value:**
- Family counseling and support
- Recreational programs
- Youth employment assistance
- Family Resource Center programs
- Teen Center programs

## *Value:* Involvement of a diverse population

Fremont is an inclusive community that welcomes people of all ages, ethnicities, incomes, and backgrounds. The City believes that all segments of the population must be engaged and involved in making community decisions in order to ensure a high quality of life and effective democracy.

**Services supporting this value:**
- Community engagement programs
- Community policing
- Economic development programs
- Human services programs
- Recreation programs
- Volunteer programs

## *Value:* Effective and efficient city government

The Fremont community wants honest, responsive city government serving the community's interests with progressive, equitable, and fiscally responsible service delivery.

**Services supporting this value:**
- Executive leadership
- Services to City employees
- Maintenance of City buildings
- City Attorney services
- Maintenance of the City's vehicles
- Financial services to the organization
- City Council support and records management
- Information services for City departments
- Geographic information systems

## Strategic Plan: Update on Progress Toward the Vision:

In 2002, the City Council adopted a Strategic Plan that outlines a vision for the long-term future of Fremont and proposes strategies and short-term goals for achieving the vision. The Plan has three main purposes. First, it communicates the City's vision for the future to residents, businesses, and City employees. Second, it provides guidance so that decisions are good for today's challenges and good for the City in the future. Making decisions in the context of a shared vision developed through collaboration ensures broad commitment to the success of the plan. Finally, the Strategic Plan provides a sound framework for long-term departmental planning.

The Plan was designed to guide decisions in times of growth and times of fiscal constraint. When the City has resources to invest in new initiatives, the Plan sets forth priorities for investment. The Plan also provides guidance during fiscally challenging times, when the City must balance the provision of core services that are fundamental to Fremont's quality of life with those work programs that will ensure that the quality of life continues. (In recent years, the City has been investing more non-General Fund resources, such as Redevelopment dollars, gas tax revenues, and State and Federal grants, in many of these priorities because adequate amounts of General Fund dollars have not been available.) Both are integral to Fremont's future as a vibrant economic center and a good place to live. The FY 2005/06 City service objectives, presented comprehensively in the department sections of the budget document, reflect this balance and continuing commitment to the City's strategic vision.

This section provides a brief update on the strategic long-term goals.

1. ***Dynamic local economy:*** *A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.*

The City works to promote a dynamic local economy through development of major new retail opportunities, historic commercial district redevelopment, and an aggressive business retention and expansion program. The City is working closely with developers on two major retail development efforts, a new retail center at Pacific Commons and a new Downtown along Capitol Avenue, in order to expand and diversify the City's retail sales tax base. The Pacific Commons retail center held its grand opening in October 2004. In FY 2005/06, the City will facilitate development of plans for the next phase of the project. In Spring 2005, the Council authorized staff to proceed with further analysis of a mixed-use project for the Downtown. This project will return to the Council in FY 2005/06 for consideration of approval. Staff also assisted with additional retail opportunities at The Hub shopping center and the Washington West retail shops. To facilitate further retail development, the City sponsored the third annual Retail Brokers Presentation last year.

The Fremont Redevelopment Agency works to spur business development in Fremont's historic redevelopment districts: Irvington, Centerville, and Niles. In Centerville, the Agency selected a developer for a mixed-use development on a 6.8-acre site. In FY 2004/05, negotiations with the developer generated a Disposition and Development Agreement to construct 58,000 square feet of new ground-floor retail, with 110 townhome-style condominiums located above. Efforts in Irvington focused on streetscape design along Bay Street and the launching of a number of transportation projects and roadway improvements in key Irvington corridors. In the Niles Redevelopment Project Area, the Union Pacific parcel has been acquired. Efforts now remain focused on initiating the necessary environmental remediation studies to enable redevelopment of the Town Plaza.

The City continually strives to make the development process more efficient and help existing businesses thrive in Fremont. In FY 2005/06, the City will evaluate the building permit approval and inspection processes to identify opportunities for improvement. The City launched its "Taking Care of Business" retention and attraction program in FY 2004/05. This program highlights Fremont's business retention and attraction services, including the Corporate Site Visit program; workshops and seminars aimed at helping small retail businesses; website and on-line resources; and continued marketing and promotional campaigns for Fremont businesses. The City also continues to provide timely information on its website (www.fremont.gov) and through the e-Biz Newsletter to create easy ways for businesses and residents to obtain information and assistance. The web-based property and demographic database, www.FocusonFremont.com, is now two years old. This site effectively uses internet-based geographic information systems technology for business attraction and site selection and serves as a resource tool for retail brokers and business owners.

Finally, a dynamic local economy requires a diverse industry base with high-quality employment opportunities for residents. In FY 2005/06, the City will develop and implement a strategy to retain and expand the biotech and life science industry base in Fremont.

2. ***An engaged and connected multicultural community:*** *Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.*

To ensure a strong social fabric and a healthy democracy that includes all groups, the City works to cultivate an environment where diverse groups in Fremont can thrive. The practice of bringing people together across cultural and neighborhood lines is well integrated with all of the City's services. Projects focusing specifically on building community involvement include Make a Difference Day, the Cabrillo project, National Night Out, the City's planning efforts to strengthen elder care in the Tri-Cities area, and the City's volunteer programs.

In October 2004, more than 1000 residents representing Fremont's diverse cultures volunteered for "Make a Difference Day," the national day of volunteering. Volunteers worked on approximately 45 community projects, ranging from food drives to yard work at the home of frail seniors to a garden project at a local elementary school. Sponsored by the Human Relations Commission, this event has grown each year and promotes unity through community service.

FY 2004/05 marked the third year of the City's focused community-building efforts in the Cabrillo neighborhood. Staff worked with local parents and businesses to offer, for the second consecutive summer, a Junior Giants summer baseball program that served 150 kids, as well as an after-school soccer program. They also obtained outside funding for a mini-grant program enabling neighborhood parents to apply to run small after-school classes such as arts, crafts, and yoga. Measuring by growth in PTA membership and participation in National Night Out, neighborhood involvement in civic activities has increased dramatically since the inception of the Cabrillo project. City staff will phase out of their formal role in the neighborhood during FY 2005/06 and transition leadership to Cabrillo residents.

In FY 2004/05, the City (in partnership with the Tri-City Elder Coalition) received a $150,000 planning grant from the Robert Wood Johnson Foundation. The money will be used to develop a plan to strengthen systems for elder care in the Tri-Cities area. A primary goal of the plan is to build the capacity of the many informal organizations in the community that provide services to the elderly, particularly in the City's many cultural/ethnic communities. The City of Fremont/Tri-City Elder Coalition proposal was one of only eleven to receive this prestigious grant award out of a total of 486 applications received from across the country. At the end of the planning phase, the City will be eligible to apply for a $750,000 implementation grant.

Another way the City facilitates community engagement is through its volunteer program, which is comprised of over 46 programs and 50 volunteer coordinators who are responsible for managing specific volunteer programs. Volunteers work with all City departments to provide programs where people of all ages can volunteer in various areas of interest. While volunteering, people learn more about city government, meet new friends, and learn new skills. During 2004, the City's volunteer program provided volunteer management training to city employees and volunteer coordinators on service learning and on how to enhance their programs.

The City has organized several volunteer programs that help to strengthen community involvement, including the Police Citizen Academy and the Community Emergency Response Team (CERT) program. The Police Citizen Academy involves engaged, diverse members of the community. The classes are typically multicultural, and after graduation participants are supportive of the department and the City of Fremont. A small percentage of graduates are motivated to connect further with the department and become volunteers. The CERT program provides emergency response training for the citizens of Fremont and prepares them to assist the Fremont Fire Department in the event of a major disaster.

3. ***Thriving neighborhoods:*** *Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make sure Fremont stays a great place in which to raise children.*

The City is committed to increasing neighborhood capacity for identifying and solving problems. To advance this goal, staff facilitates partnerships among neighborhood groups through events such as National Night Out and by supporting community groups like Fremont's Neighborhood Networks, Apartment Manager Networks, and Neighborhood Crime Watches.

National Night Out is one of the most important events the City sponsors, and it provides an excellent opportunity to help neighbors get to know each other. In the last five years, the number of block parties hosted by neighborhoods has increased from 42 in 1999 with 1,000 participants, to 131 parties in 2004 with over 5,000 participants. To encourage participation in National Night Out, leaders from different neighborhoods joined with City staff to organize a National Night Out entry in the 2004 Fourth of July Parade. In FY 2005/06, the City will continue to sponsor National Night Out, with increased marketing in the ethnic media. The City will also convene discussions with previous party hosts to network and share ideas for continued success in the future.

Neighborhood Networks grew out of the City's 2002 Community Engagement Summit. A Neighborhood Network is a group of residents who represent a wide variety of neighborhood associations and interests. They serve as clearinghouses for information about what is going on in the neighborhood, and as a way for people from different organizations to meet each other to support joint efforts and work together to solve problems. There are active Neighborhood Networks in Irvington and the Cabrillo and Centerville area, as well as Apartment Manager Networks in Sundale and Centerville. Apartment Manager Networks help managers communicate with one another and police about crime, problem tenants, and other issues.

The City facilitates the Neighborhood Crime Watch and Community Emergency Response Team (CERT) programs, which help mobilize residents to prevent crime and prepare for emergencies in their neighborhoods. In addition to assisting 651 Neighborhood Crime Watch groups, the Police Department communicates with an estimated 5,000 Fremont residents via e-mail lists regarding crime trends and ways to prevent crime. In FY 2005/06, CERT group leaders will conduct three courses, open to the community. The City will also help integrate Neighborhood Crime Watch groups with CERT to strengthen block-level relationships and emergency preparedness. Linking neighborhood-based websites with the City of Fremont website will also improve access to community involvement opportunities.

In addition to neighborhoods' social infrastructure, the City works to improve neighborhoods' physical and business infrastructure. Through the Fremont

Redevelopment Agency, the historic neighborhoods of Centerville, Irvington, and Niles each have major commercial and residential projects underway that will enhance neighborhood identity and provide shopping and social opportunities. Further information on these projects can be found under long-term outcome #5: *Interesting places and things to do.*

*4.* ***Live and work in Fremont:*** *A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.*

The City remains committed to enabling people to live and work in Fremont by facilitating the development of a variety of housing types, pricing, and availability. In FY 2004/05, the City continued its efforts to redesignate and rezone land to residential use to facilitate housing for all income levels. To date, over 231 acres have been redesignated or rezoned at varying densities to promote a variety of housing types.

In FY 2004/05, the Redevelopment Agency partnered with the California Housing Finance Agency (CalHFA) to expand participation in the City's First Time Homebuyer Program. This partnership, which is expected to continue in FY 2005/06, provides nearly $100,000 to be made available to buyers as down-payment assistance. Since the Agency joined efforts with CalHFA, participation in the First Time Homebuyer Program has increased approximately tenfold.

As a result of the Inclusionary Housing Ordinance, the City and the Redevelopment Agency partnered with three residential developers during FY 2004/05, and 26 new affordable homes are now available to moderate income first-time homebuyers. In FY 2004/05, the Agency also launched an aggressive marketing campaign for the First Time Homebuyer Program, targeting the program at local residents and various community groups. In FY 2005/06, marketing efforts for the First Time Homebuyer Program will expand further to increase public employee participation.

During FY 2004/05, Irvington Family Apartments and Irvington Village were approved. This mixed-income, mixed-tenancy development will be constructed on an in-fill site (Tri-City Patio World, located next to Tri-City Sports in the Irvington Redevelopment Project Area) and will offer both affordably priced apartments and market-rate townhomes. Construction is expected to start in late 2005. Lincoln Street Apartments, another development planned for Irvington and located in the Redevelopment Project Area, was approved in FY 2004/05. This unique development will include 11 apartments for developmentally disabled adults and target extremely low-income tenants. The completion of the Lincoln Street Apartments is expected in FY 2005/06.

In FY 2004/05, the City celebrated a number of residential developments that have begun construction or are nearing completion. Fremont Vista, an assisted-living development with 100 studio and one-bedroom apartments, 20 of which are reserved for seniors with severely limited incomes, is completed and occupied. The Bridgeway East development in the Irvington district was also completed at the end of FY 2004/05, providing 18 new apartments for formerly homeless households. In addition, the Fremont Oak Gardens development, 51 apartments for seniors designed with special features for the deaf, was completed at the end of FY 2004/05. Construction has started on the Maple Street Apartments and Homes in Centerville, a development consisting of 132 affordable apartments ranging from studios to three-bedroom apartments, and nine single-family market-rate homes for sale.

5. ***Interesting places and things to do:*** *Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.*

Fremont's quality of life is enhanced when people have interesting places to gather, socialize, recreate, shop, and dine. Creating a unifying downtown, optimizing retail development opportunities, revitalizing historic commercial areas, and capitalizing on Fremont's park and recreation resources will help Fremont embrace the future as a major regional center of interest while retaining its small-town feel and amenities.

Progress continues toward the City's vision for a vibrant, pedestrian-friendly downtown district. In FY 2003/04, the City entered into a collaborative relationship with a development team to develop concept plan alternatives and a business plan necessary to implement the project. During FY 2004/05, City staff and the co-developers of the Downtown project continued to work together on feasible concepts for the development. In early March, the team presented various alternatives to the Council and recommended further analysis of a mixed-use project. Councilmembers supported further analysis of this alternative. During FY 2005/06, the team will continue to refine both the design and the financial aspects of the plan and work toward Council approval of a Development and Implementation Agreement in 2006.

The Pacific Commons retail center, located at I-880 and Auto Mall Parkway, opened its first stores in October 2004. Grand openings so far have included Costco, Lowe's Improvement Center, Kohl's Department Store, Circuit City, Bassett Furniture, DSW Shoes, Jamba Juice, Linens-N-Things, Office Depot, Ohana Hawaiian BBQ, Old Navy, Quizno's, Pick Up Stix, Premier Pizza, Rubio's Mexican Restaurant, Starbucks, and Party America. The project includes an attractive and interesting pedestrian promenade, public art, and an enjoyable and family-friendly shopping experience.

In Centerville, the Redevelopment Agency selected a developer to build a retail-based, mixed-use project on the 6.8-acre Centerville Unified Site currently owned by the Agency. In FY 2004/05, the Agency Board and City Council approved a Disposition and Development Agreement. The Agreement calls for the development of 58,000 square feet of retail and 110 townhome-style condominiums on this site. During FY 2005/06, the developer expects to secure entitlements and commence construction. The new development is intended to feature a high-quality, pedestrian-oriented environment that combines dining, retail, and residential uses. This project is expected to serve as a catalyst for additional retail and restaurant development in the area. Mixed-use residential development is encouraged to enliven the site at night and diversify the housing types available in the Centerville area. Additional FY 2005/06 developments in Centerville include: construction of the second parking lot at the Centerville Depot and the under-grounding of overhead utility lines for the widening of Central Avenue.

During FY 2004/05, the Redevelopment Agency continued facilitating the implementation of the Bay Street Planned District and Streetscape Plan in Irvington. Additionally, the Agency continued collaborating with the Irvington Post Office to complement and provide necessary parking support for the Bay Street Streetscape and recently increased density in the district.

In Niles, completion of the Town Plaza, along with additional parking, is important for revitalizing the district's retail environment. In FY 2004/05, the Plaza underwent more intense design development. Additionally, staff continued work with the Niles community to improve pedestrian access from the Niles Historic Train into the business district. During FY 2005/06, the Redevelopment Agency will work on getting State approval of a clean-up plan for the Union Pacific site as well as the preparation and completion of construction drawings for the Plaza, with possible commencement of construction. The Agency will also facilitate Alameda County's construction of a passenger platform adjacent to the Sullivan Underpass and subsequent bus service to provide train passengers access into the Niles commercial district.

As an investment in the future of Fremont's parks, the City will begin to design a new Family Water Play Facility in FY 2005/06. The Water Play Facility will replace the closed swim lagoon in Central Park and will provide a safe water-oriented recreational facility for residents of Fremont and neighboring communities. The conceptual design includes a lazy river, water slides, children's attractions (including fountains and sprays), a multi-use utility pool (for teaching and water exercise), and a meandering streambed feature. It is anticipated that the facility will serve approximately 123,000 patrons in its initial year of operation.

### *6.* ***Effective transportation systems****: A variety of transportation networks that make travel easy throughout Fremont.*

A convenient transportation network is a key factor in Fremont's quality of life and economic vitality. The City continues to focus the majority of its resources on three initiatives that will enhance regional transportation: railroad grade separations, I-880 interchange projects, and BART to San Jose. In addition, the City's Red Light Enforcement Program helps to increase transportation safety, and the City's paratransit program increases mobility among low-income and elderly residents.

The Washington Boulevard and Paseo Padre Parkway Grade Separation Project will relieve traffic congestion, improve safety, and provide important infrastructure necessary for the extension of BART through Fremont. In FY 2004/05, the City completed all property acquisition, negotiated agreements with BART, Union Pacific Railroad, and various utility companies, and began some construction activities. The City is prepared to award the primary construction contract in FY 2005/06. The entire project should then be under construction throughout the latter half of FY 2005/06 and the next two fiscal years.

The I-880 interchange improvements saw significant progress during FY 2004/05. The Dixon Landing Road Interchange was completed, while the contract for the final I-880 interchange project, at Mission Boulevard, was awarded. Construction of the first phase is now underway. This first phase will construct all of the interchange ramps and widen I-880 to the Santa Clara County line. Construction will continue into FY 2008/09. Staff is now working with funding partners from the Alameda County Transportation Authority, Caltrans, and the Santa Clara Valley Transportation Authority to fully fund the remaining two phases and prepare the area for the future BART extension into San Jose.

The City eagerly awaits the extension of BART to San Jose. During FY 2004/05, the City negotiated a property exchange agreement with BART to exchange properties needed for the City's grade separation projects and BART's Warm Springs Extension. In addition, staff worked with the Santa Clara Valley Transportation Authority on preliminary design of the BART to San Jose project and reached agreement on a site for relocating the truck/rail transfer facility south of Warren Avenue. In FY 2005/06, the City and BART will execute a comprehensive agreement for the construction and operation of the Warm Springs Extension within Fremont.

In addition to the major transportation projects, the City continues to work on existing streets and intersections to improve safety and reduce traffic delays. In FY 2004/05, the City completed widenings on Alvarado Boulevard, Stevenson Boulevard between Mission Boulevard and Civic Center Drive, Washington Boulevard between Olive and I-680, and Fremont Boulevard between Irvington Avenue and Blacow Road. In FY 2005/06, the City will begin construction on widening Osgood Road, Stevenson Boulevard between I-880 and Blacow Road, and Fremont Boulevard between Cushing Parkway and W. Warren Avenue. The funding for these projects comes from a variety of sources. More information can be found in the City's Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP), which is also presented in summary form in the "Capital Budget Summary" section of this document.

Staff studies actual traffic data in order to recommend to the City Council the highest priority intersections for improvement. Examples of improvements include signal placement or modifications, median reconstruction, and construction of additional turn lanes. In FY 2004/05, the City began making intersection improvements at Fremont Boulevard/ N. Grimmer Boulevard, Warren Avenue/Warm Springs Boulevard, Mowry

Avenue/Argonaut Way, and Mowry Avenue/Logan Road. These intersections will be completed in FY 2005/06. In FY 2005/06, the City will also make major improvements to Stevenson Boulevard/Civic Center Drive, S. Grimmer Boulevard/Old Warm Springs Boulevard, Washington Boulevard/Meredith Drive, Central Avenue/Blacow Road, Stevenson Boulevard/Farwell Drive, Paseo Padre Parkway/Sailway Drive, Mowry Avenue/Civic Center Drive, and Mowry Avenue/Glenview Drive.

The Pacific Commons retail development, which opened in FY 2004/05, included new public streets, the construction of five new traffic signals, and modification of two existing signals. In addition, the City completed traffic signal coordination projects to improve travel times on key City streets by reducing stops and delays (and, therefore, vehicle emissions) while increasing average speeds. The new signal coordination was implemented along nine corridors comprising 63 traffic signals.

The City's Red Light Enforcement program continues, and is expanding to promote safety through raising awareness of the dangers of red-light running. Nine intersections have Red Light Enforcement cameras, and a tenth location is scheduled for completion in FY 2005/06. In addition, changes to existing locations will be made to include additional approaches for enforcement of red light violations and updating the existing infrastructure with newer equipment. These changes have the potential to improve the safety of all persons using city roadways.

Transportation is a critical issue for disabled and elderly residents who are unable to drive or access fixed-route public transportation. In FY 2004/05, the City's paratransit service (funded through Alameda County Measure B, the countywide sales tax) continued to grow, providing an estimated 25,000 individual and group trips. The City also took a leadership role in several pilot projects, including a fare subsidy program for low-income riders and a program allowing local hospitals to access paratransit to provide rides home for discharged patients.

# General Fund Summary

The General Fund is the City's primary operating fund. It accounts for the majority of financial resources and outlays of basic services such as police, fire, and maintenance, as well as the administrative systems required to support them. The fund receives the City's discretionary funding sources (e.g., property tax, sales tax, vehicle license fees, franchise fees, and business tax). As a rule, General Fund resources are used only to fund operations that may not be funded with other, restricted revenues. Operations that rely heavily on non-General Fund resources, such as development, recreation, and human services, are accounted for in other funds. Information on these operations may be found in the "Other Funds" section of this document.

Since mid-2001, the City's budgeting environment has been characterized by tremendous uncertainty. The recession in the high-tech sector of the economy and continuing State resource takeaways caused a 10% decline in General Fund revenues between FY 2000/01 and FY 2003/04. Meanwhile, the demand for City services and the costs of providing them increased over the same period. Because city governments can only spend resources available, these factors combined to prompt budget and staffing reductions of more than 20% since FY 2002/03. Budget reductions of this magnitude resulted in service reductions in all areas. The "Budget Overview" section of this document provides more information on the causes of the City's revenue decline and related service impacts. This section provides information on the FY 2005/06 General Fund budget, including budget assumptions, expenditure and revenue highlights, transfers to other funds, reserve funds, and the five-year financial forecast.

## Summary Overview

The FY 2005/06 budget continues the City's transition to a permanent lower revenue base. Despite modest revenue recovery, the costs to continue FY 2004/05 service levels would exceed projected revenues and prolong the structural budget gap with which the City has been grappling for several years. Based on the most recent revenue forecast and with no additional budget reductions and service cuts, expenditures would exceed revenues by just over $20 million over the five-year forecast period ending FY 2009/10, and all available fund balance would be exhausted in FY 2005/06. The balance in the Budget Uncertainty Reserve of $11.2 million would be insufficient to fund the remaining deficit. Therefore, in order to balance the budget and ensure that ongoing revenues can support even reduced, insufficient service levels, further budget and service cuts are necessary. For that reason, the FY 2005/06 budget includes 5% cuts ongoing for all non-safety functions, for a savings of $3.2 million in FY 2005/06 and $19 million over the next five years.

In order to avoid even deeper ongoing staffing and service cuts, the FY 2005/06 budget also incorporates several one-time strategies. First, the General Fund contribution to the DES and Recreation cost centers will be reduced by an additional $500,000 each for FY 2005/06 only. This step will save the General Fund money while forcing the cost centers to spend fund balance in order to maintain services. Second, the budget also assumes the use of the remaining $2.8 million of General Fund fund balance. Finally, the

## General Fund

| (Thousands of Dollars) | General Fund | Contingency Reserve | Program Investment Reserve | Budget Uncertainty Reserve | Eliminating Internal Transfers | **Total General Fund** |
|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 2,771** | **$ 14,378** | **$ 2,876** | **$ 11,176** | **$ -** | **$ 31,201** |
| **Revenues:** | | | | | | |
| **Intergovernmental:** | | | | | | |
| Property Taxes | 39,239 | - | - | - | - | 39,239 |
| State ERAF III Revenue loss | (2,730) | - | - | - | - | (2,730) |
| In-lieu VLF | 11,948 | - | - | - | - | 11,948 |
| In-lieu Sales Tax | 7,038 | - | - | - | - | 7,038 |
| Sales & Use Taxes | 22,374 | - | - | - | - | 22,374 |
| Vehicle License Fees | 1,713 | - | - | - | - | 1,713 |
| Other Intergovernmental | 766 | - | - | - | - | 766 |
| Business Taxes | 6,302 | - | - | - | - | 6,302 |
| Hotel/Motel Taxes | 2,121 | - | - | - | - | 2,121 |
| Property Transfer Taxes | 2,207 | - | - | - | - | 2,207 |
| Franchise Fees | 7,563 | - | - | - | - | 7,563 |
| Charges for Services | 3,394 | - | - | - | - | 3,394 |
| Fines | 3,046 | - | - | - | - | 3,046 |
| Investment Earnings | 1,366 | - | - | - | - | 1,366 |
| Paramedic Fees | 1,167 | - | - | - | - | 1,167 |
| Sale of Bonds | - | - | - | - | - | - |
| Other Revenues | 832 | - | - | - | - | 832 |
| **Total Revenues** | **108,346** | **-** | **-** | **-** | **-** | **108,346** |
| Total Transfers In | 10,550 | 722 | 144 | - | (4,088) | 7,328 |
| **Total Available Resources** | **121,667** | **15,100** | **3,020** | **11,176** | **(4,088)** | **146,875** |
| **Expenditures** | | | | | | - |
| General Government | 11,318 | - | - | - | - | 11,318 |
| Public Safety: | | | | | | - |
| Police | 46,195 | - | - | - | - | 46,195 |
| Fire | 26,809 | - | - | - | - | 26,809 |
| Development and Environmental Services: | | | | | | - |
| Planning | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - |
| Engineering | - | - | - | - | - | - |
| Community Preservation | 633 | - | - | - | - | 633 |
| Environmental Services | - | - | - | - | - | - |
| Human Services | 2,896 | - | - | - | - | 2,896 |
| Maintenance (2) | - | - | - | - | - | - |
| Recreation (3) | - | - | - | - | - | - |
| Housing and Redevelopment | - | - | - | - | - | - |
| Non-departmental | 2,420 | - | - | - | - | 2,420 |
| Less: Citywide Savings | (1,000) | | | | | (1,000) |
| TRANS Debt costs | 150 | - | - | - | - | 150 |
| **Total Expenditures** | **89,421** | **-** | **-** | **-** | **-** | **89,421** |
| Total Transfers Out (4) | 32,246 | - | - | 3,222 | (4,088) | 31,380 |
| **Total Use of Resources** | **121,667** | **-** | **-** | **3,222** | **(4,088)** | **120,801** |
| **Fund Balance - 6/30/06 (est.)** | **$ -** | **$ 15,100** | **$ 3,020** | **$ 7,954** | **$ -** | **$ 26,074** |

NOTE: The only General Fund costs displayed in this chart for Development and Environmental Services are for Community Preservation. Other department costs are displayed in the Other Funds section of this document. 2) Maintenance activities are funded in the Integrated Capital Assets Plan and can be found in the Capital Funds section of this document. 3) Recreation activities are funded in the Recreation Cost Center with a combination of General Fund and fee revenues. Department costs can be found in the Cost Center/Internal Service section of this document. 4) Detail of the Operating Transfers In and Operating Transfers Out can be found in the General Fund section of the document.

budget also assumes the use of $3.2 million from the Budget Uncertainty Reserve—a step the City has never had to take before. Although these one-time strategies help balance costs with revenues, they reduce the City's flexibility to deal with unanticipated revenue disruptions in the future. The FY 2005/06 budget and five-year forecast highlight the community's challenge of working together to identify and fund the appropriate City service levels to ensure that Fremont's quality of life can remain high for future generations.

## Budget Assumptions

Despite the uncertainty we face from continued State budget instability and mixed economic trends, the FY 2005/06 budget is premised upon the following assumptions:

1. **Service reductions implemented for the FY 2003/04 and FY 2004/05 budgets continue, with additional reductions in non-safety services for FY 2005/06.**

   After the technology sector recession began to affect Fremont's revenues, the City took early action to align expenditures with revenues. Department budgets were reduced by 10-35%, with the highest priority services of police, fire, and maintenance reduced least (on a percentage basis) for FY 2003/04. These budget reductions, which caused service reductions in all areas, remained in place with the adoption of the FY 2004/05 budget. Continued sluggish revenue growth requires that the reduced service continue for FY 2005/06, with no service restorations or enhancements. To ensure we can end FY 2005/06 in balance, non-safety department allocations have been reduced by an additional 5%, prompting further service reductions in all areas except public safety.

2. **The cost of continuing FY 2004/05 service levels will exceed the revenues projected for FY 2005/06, requiring further budget and service reductions in non-safety functions and requiring the use of remaining fund balance and a portion of the Budget Uncertainty Reserve to balance the budget.**

   Instead of spending all of the revenue received during the "boom" years of the late 1990s, the City set aside a portion of its General Fund fund balance for use in future years. Since we began cutting the budget in FY 2002/03, we have metered in fund balance annually as a resource to smooth the transition to a lower revenue base. For example, the City spent $10 million of fund balance in FY 2002/03 to cover the dramatic drop in revenue that was not detected until late in the fiscal year. If not for this resource, the mid-year budget cuts made that year would have been $10 million more severe, which would have required sudden, drastic service reductions to the community and sudden employee layoffs. By the end of FY 2004/05, the City is expecting to have spent approximately $18 million of fund balance (since FY 2001/02) to cushion the severity of budget cuts. The FY 2005/06 budget assumes that $2.8 million of additional fund balance and $3.2 million of the Budget Uncertainty Reserve will be required to balance the budget and avoid sharper cuts in services, beyond those caused by the 5% reductions in non-safety functions.

3. **The economy will continue a modest recovery during FY 2005/06, enabling ongoing General Fund resources to increase by approximately 6%.**

   Ongoing resources reflect the revenue “base” that continues from year to year, excluding one-time resources and losses. The growth is attributable primarily to the continued strength of property tax revenues, modest growth in the sales tax base, and growth in business and property transfer taxes. While 6% projected growth in total resources is relatively good news, it is only on par with the 10-year historical average growth rate. Meanwhile, the costs of maintaining FY 2004/05 service levels, especially those related to employee medical insurance, workers’ compensation, and retirement, continue to rise at approximately the same rate. Therefore, projected revenue growth will only enable us to keep up with current costs, with no ability to restore services that were eliminated in recent years.

4. **The General Fund’s core reserves, totaling 15% of total expenditures and transfers in, will remain unused for FY 2005/06.**

   The City Council maintains two core General Fund reserves: the Contingency Reserve and the Program Investment Reserve. Balances and potential use for the Contingency Reserve and the Program Investment Reserve are governed by City Council policies adopted with the FY 1996/97 budget. The Contingency Reserve is intended to mitigate the effects of natural disasters or other severe unforeseen events and is to be maintained at 12.5% of total operating expenditures and transfers out. The Program Investment Reserve is available to provide seed funding for new initiatives that will generate ongoing external revenues; it is to be maintained at 2.5% of total operating expenditures and transfers out. Since the conditions for using these resources are not anticipated to be present during FY 2005/06, these reserve balances are expected to remain intact.

5. **The City will use a portion of the Budget Uncertainty Reserve to balance the FY 2005/06 budget.**

   The City also maintains a General Fund Budget Uncertainty Reserve. This reserve, which was established in FY 2002/03, is intended as a resource to mitigate General Fund shortfalls caused by unforeseen State takeaways, sudden economic downturns, or other severe revenue shortfalls. The Budget Uncertainty Reserve is projected to contain $11.2 million at the beginning of FY 2005/06. Because we have had adequate fund balance to supplement revenue shortfalls in recent years, the Budget Uncertainty Reserve has remained untapped. However, the projection for fund balance at the end of FY 2004/05, $2.8 million, will not be adequate to support the projected deficit for FY 2005/06. Assuming this outcome, $3.2 million of the Budget Uncertainty Reserve will be required to balance the FY 2005/06 budget, leaving $8.0 million of Budget Uncertainty Reserve available to cushion economic turbulence in the future.

6. **The budget contains no provision for future State resource takeaways, beyond those included in the FY 2004/05 State budget. The City will respond to takeaways when the amount and timing of takeaways are confirmed by State legislative action.**

   The State's FY 2004/05 budget included a two-year takeaway of funds from local governments and redevelopment agencies. For Fremont, the takeaway equaled $2.7 million in property tax dollars and $2.3 million in redevelopment property tax dollars in both FY 2004/05 and FY 2005/06. These FY 2005/06 takeaways are included in the General Fund and Redevelopment Agency budgets. Unfortunately, despite these and other previous cuts to local government, the State continues to face a multi-billion dollar deficit in FY 2005/06 and beyond. In 2004, voters approved Proposition 1A, which ostensibly provides protection for local revenues. In reality, however, it only clarifies the rules by which the State may take local revenues. For example, the State is no longer allowed to take local revenues, *until* it has paid back funds previously taken. While Proposition 1A provides limited protection from State takeaways, a permanent solution to the State's problem will likely involve taking some amount of City revenue.

   Further takeaways will be catastrophic for public safety, public facilities, and other services. Speculation about potential State budget outcomes and their effects on cities changes continuously. To minimize the risks associated with cutting services too far in anticipation of State cuts, the budget does not assume a specific amount of revenue that will be lost to unknown State takeaways. Staff will develop contingency plans in response to emerging scenarios so that we may be ready to act quickly when additional State takeaways are confirmed. To support this assumption, the Budget Uncertainty Reserve could be used to forestall the need for immediate service cuts.

7. **Revenue estimates in the FY 2005/06 budget and the five-year forecast have been increased 1% to compensate for the historical tendency to underestimate revenues.**

   The unanticipated revenue shortfall in FY 2001/02 notwithstanding, the City's actual revenues have generally exceeded projections by an average of 2-3%. In addition, as we forecast revenues in periods of economic slowdown or downturn, we rarely anticipate the strength of the eventual economic recovery. Because unanticipated economic events will affect revenues, it is difficult to predict which revenues will exceed expectations in a given year. This assumption helps ensure we are not overly conservative in our revenue projections, thereby potentially prompting unnecessary service reductions.

8. **Total expenditures in the FY 2005/06 budget and the five-year forecast include a savings assumption of $1 million per year to compensate for the historical tendency to under-spend total resources allocated.**

   Despite consecutive years of budget reductions, managers continue to hold positions vacant and restrain operational costs wherever possible. Consequently, the City's actual expenditure totals each year are consistently at least $1 million less than projected previously. Building an assumption for savings into the budget helps ensure that projections for year-end results are more accurate from the outset than they might otherwise be.

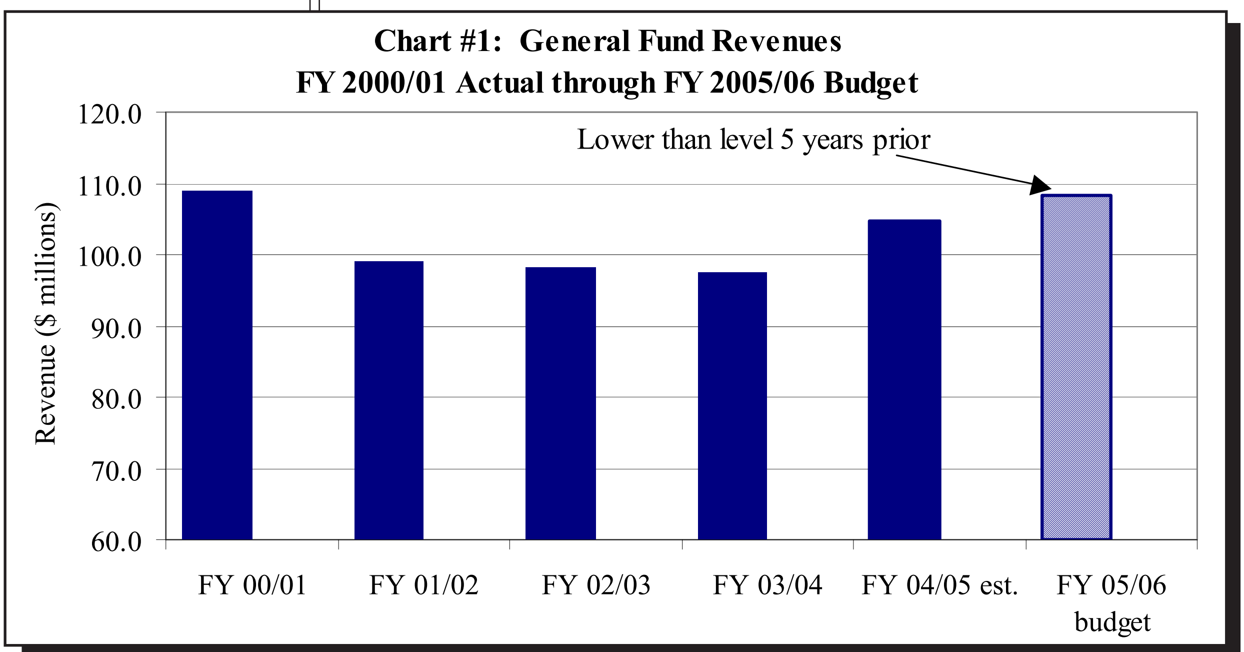
9. **Because of continued uncertainty about the timing of resolution, the budget does not assume that the deferred revenue related to a long-fought dispute with the State Board of Equalization (BOE) will be available for operations.**

   For more than five years, the City has been working with a Fremont company and the cities of Long Beach and Signal Hill to appeal the State Board of Equalization's (BOE) allocation of sales tax generated by similar sales activities by the same company in all three cities. The BOE has upheld the City's positions related to this matter on two occasions, in January 2002 and November 2002. These rulings allowed the City to recognize $2.9 million of revenue previously received but set aside due to the pending reallocation appeal, plus more than $1 million annually. Throughout FY 2003/04 and FY 2004/05, staff worked with the taxpayer and the BOE to compile the documentation necessary to secure another ruling from the BOE that will ensure that the remaining sales tax revenue generated by the taxpayer in Fremont is allocated to Fremont. Consistent with anticipated resolution of the appeal, staff believed that the remaining issues would be resolved during FY 2004/05, thereby enabling the City to recognize the remaining revenue at stake.

   Staff continues to aggressively pursue this matter. However, continued delays on the part of the BOE have prompted staff to remove the revenue associated with the appeal, currently $4.4 million of revenue from previous years plus $800,000 annually in the future, from any specific year of the forecast. The large amount of revenue involved, combined with significant uncertainty related to the BOE review process, presents a potential significant shortfall in any year that the funds are expected but not able to be recognized. Rather than attempt to program this revenue for operations, the budget no longer includes an assumption about when the revenue will be recognized. This is consistent with our treatment of this matter initially. Staff will keep the City Council updated on the status of the issue. When the appeal is resolved, staff will present the City Council with options for programming the revenue, including operations, capital projects, maintenance, reserves, or some combination of these options.

## Resources

General Fund resources include revenues, transfers into the General Fund from other funds, fund balance from prior years and, for the first time this year, use of the Budget Uncertainty Reserve. Total resources available, including fund balance, for FY 2005/06 are projected to be $121.7 million. This total includes $108.3 million of revenues and $7.3 million of recurring transfers in. These resources will be supplemented by $2.8 million of undesignated fund balance and a transfer of $3.2 million from the Budget Uncertainty Reserve to support expenditures and transfers out to other funds, which are budgeted at $121.7 million. Because total budgeted resources are sufficient to support total budgeted expenditures and transfers, the FY 2005/06 budget is considered to be balanced.




Revenues are the largest component of total resources, comprising 89% of FY 2005/06 total resources. They are also the most important, as their projected sustainability drives all other resource considerations. The City enjoyed healthy revenue growth throughout the 1990s, from $59.1 million in FY 1992/93 to a peak of $108.9 million in FY 2000/01. Since the economy soured in 2001, revenues declined 10%, to $97.6 million in FY 2003/04. Chart #1, above, shows that revenues have improved moderately, but they are projected to remain lower in FY 2005/06 than they were five years ago, in FY 2000/01.

Total revenues are projected to increase from $104.8 million in FY 2004/05 to $108.3 million in FY 2005/06, an increase of only 3%. This growth rate is slightly understated, with respect to the underlying economy, primarily because of a one-time, $3.3 million payment in FY 2004/05 that compensates the City for the State's taking of our VLF revenue in FY 2003/04. Chart #2 illustrates that when one-time sources are excluded from the calculation,

**Chart #2: Change in General Fund Revenues: FY 2004/05 to FY 2005/06 ($ millions)**

| Revenue | FY 2004/05 est. | FY 2005/06 budget | Difference |
|---|---|---|---|
| Property tax | 37.0 | 39.2 | **+2.2** |
| Sales and use tax | 21.3 | 22.4 | **+1.1** |
| "Triple flip" sales tax replacement | 6.7 | 7.0 | **+0.3** |
| Vehicle License Fees (VLF) | 1.6 | 1.7 | **+0.1** |
| VLF property tax replacement | 11.2 | 11.9 | **+0.7** |
| Business taxes | 6.0 | 6.3 | **+0.3** |
| Franchise fees | 7.2 | 7.6 | **+0.4** |
| Hotel/motel tax | 2.0 | 2.1 | **+0.1** |
| Property transfer tax | 1.9 | 2.2 | **+0.3** |
| Other revenues | 9.9 | 10.7 | **+0.8** |
| **Ongoing revenue subtotal** | **104.8** | **111.1** | **+6.3** |
| **One-time/temporary sources and losses:** | | | |
| State ERAF III revenue loss | -2.7 | -2.7 | **0.0** |
| Payback for FY 2003/04 VLF loss | 3.3 | 0.0 | **-3.3** |
| One-time revenue shift resulting from lag of triple flip payment | -0.7 | 0.0 | **+0.7** |
| Use of Budget Uncertainty Reserve | 0.0 | 3.2 | **+3.2** |
| **Total revenues:** | **104.7** | **108.4** | **+3.7** |

ongoing revenues are projected to increase by $6.3 million, which is approximately 6%. While encouraging compared with recent years' budget projections, 6% annual growth is only on par with average growth rates from the latest 10-year period.

In FY 2005/06, the State will continue to take City funds to solve its budget problem—money that would otherwise remain in Fremont for local services or capital projects. Takeaways include $2.7 million in FY 2005/06 from the City's General Fund and $2.3 million from the Redevelopment Agency. These takeaways represent the second year of a two-year plan to shift $1.3 billion of local revenues for State purposes, of which Fremont's share is $10 million ($5.4 million from the General Fund and $4.6 million from the Redevelopment Agency). The $2.7 million General Fund takeaway is commonly called ERAF III, as it is an extension of the two prior "shifts" of local property tax resources to the State Educational Revenue Augmentation Fund (ERAF). These previous ERAF shifts resulted in takeaways of approximately $11 million annually from Fremont since the early 1990s.

Since the first ERAF property tax shifts, the State has demonstrated its willingness to manipulate sales tax and vehicle license fees. Chart #2, above, summarizes the growth in key General Fund revenues projected for FY 2005/06, along with the effects of State interference. Brief discussions of key revenue projections follow. Additional background information on major General Fund revenues and related State manipulation can be found on pages 73-82 of this budget document.

Despite the decline in other major revenues since the peak year of FY 2000/01, property tax revenues have remained relatively strong. Growth for property tax revenue in FY 2004/05 is estimated to be approximately 5% over the prior year. Fortunately, low mortgage interest rates and high demand for real estate continue to drive residential property values higher. (Residential property values comprise two-thirds of the property tax base.) With cautious confidence that these trends will continue in the near term, property tax revenues are projected to grow by 6% in FY 2005/06. However, the City continues to pay close attention to the commercial and industrial property tax base because reassessments in response to assessed valuation appeals by property owners could affect growth projections.

After reaching a high point of $33.2 million in FY 2000/01, sales tax revenue endured a multi-year decline to a low point of $25.3 million in FY 2002/03. The steep drop was due to the collapse of the Silicon Valley technology market and Fremont’s reliance on sales tax from high-tech manufacturers. Sales tax from the high-tech sector now appears to have stabilized, and estimated actual sales tax revenues are projected to increase slightly, by 2%, for FY 2004/05. For FY 2005/06, the existing sales tax base is expected to continue its very modest recovery. The City is expecting to realize approximately $500,000 from new retail activity at Pacific Commons, resulting in projected growth in ongoing sales tax revenue of approximately 5%. While certainly a positive trend, this growth rate is relatively sluggish compared to the 10-year average sales tax growth rate of 5.4%.

Beginning in FY 2004/05, the State implemented the “triple flip.” Under this financing scheme, the State takes 25% of cities’ sales tax revenues to repay the debt on its Economic Recovery Bonds, which were approved by California voters in March 2004. In exchange for their lost sales tax revenue, local governments will be compensated with property tax revenue that would normally have gone to the schools, and the schools will receive additional General Fund dollars from the State. As a result, the City’s total sales tax revenue now comes to us in two parts: the traditional share of the sales tax paid on consumer purchases, and the “triple flip” property tax replacement revenue. The replacement revenue is greater than 25% of total projected sales tax for FY 2005/06 because of a revenue accrual practice that causes a portion of the replacement revenue related to sales in FY 2004/05, estimated to be $700,000, to be recognized when the property tax replacement is actually received in FY 2005/06. This practice will not have a material effect on total revenue in future years.

After years in the political limelight at the State level, vehicle license fee (VLF) revenue settled into its reconstituted form in FY 2004/05. VLF fees paid by motorists remain at one-third of historical levels. Instead of receiving backfill for the remaining two-thirds directly from the State General Fund, as had been the practice since 1998, local governments now receive additional property tax revenue instead. This is property tax that would otherwise have gone to the schools. The schools will receive replacement

General Fund dollars from the State. The VLF revenue, combined with the property tax replacement, is expected to total $12.8 million in FY 2004/05. VLF revenue is allocated statewide, based on population, and is less sensitive to the sluggish Bay Area economy. Therefore, the projection for total VLF-related payments in FY 2005/06 is $13.7 million, reflecting growth approaching the 10-year average growth rate of 6.2%.

Hotel/motel tax revenues were rocked by the Silicon Valley recession. While not the City's largest revenue source, hotel/motel taxes declined by the largest percentage, a staggering 60%, between FY 2000/01 and FY 2003/04. This decline is the most striking, and perhaps most symbolic, example of revenue volatility stemming from the downturn in the economy. Between FY 1998/99 and FY 1999/00, hotel/motel tax revenue nearly doubled, growing to $4.3 million in FY 2000/01. The City believes that the hotel market may have stabilized; the $2 million revenue estimated for FY 2004/05 will mark the first upturn since the tech recession began. Currently, monthly tax receipts show growth of approximately 10% over receipts from the prior year. However, because of continued uncertainty about the business travel market, the growth assumption for FY 2005/06 is cautious, 6%, which will yield annual revenue of $2.1 million.

Business taxes and franchise fees remain relatively stable, with moderate growth projected for both. Business taxes are projected to yield $6 million in FY 2004/05, and $6.3 million in FY 2005/06. While sales tax is levied only on retail transactions, business taxes are applied to all business sectors and are therefore relatively more stable. Franchise fees continue to grow steadily. In FY 2004/05, franchise fee revenue is projected to yield $7.2 million. In FY 2005/06, franchise fee revenues are projected to grow 5%, to $7.6 million. Steady increases in the utility bills on which the fees are calculated have partially offset the decrease in demand caused by the economic slowdown.

The General Fund receives transfers from other funds for general government services (such as human resources, financial, and legal assistance) provided to operations funded outside the General Fund (such as development services and recreation services). Charges are based on the non-General Fund operation's proportional share of the total operating budget expenditures and transfers out. This proportional share of the total budget is the share of general government service costs charged. In FY 2004/05, transfers in from other funds are projected to be $6.7 million. Based on budgeted expenditures, transfers in are expected to total $7.3 million in FY 2005/06.

Fund balance is another resource available to balance the budget. If, in a given year, total resources available exceed total resources used, the "surplus" contributes to fund balance. Fund balance has been a crucial resource for cushioning the City's transition to a lower revenue base in recent years. Instead of spending all of the revenue received during the "boom" years of the late 1990s, the City set aside a portion of fund balance for use in future years. When revenues dropped suddenly during FY 2001/02 and the City anticipated a year-end budget shortfall, the City used $10 million of fund balance to balance the budget. If fund balance had not been available, the City would have had to use reserve funds or suddenly cut services, through staffing layoffs, to end the year in financial balance. The City is expecting to spend $7.7 million of fund balance in FY 2004/05 to cover the expected budget shortfall caused by several factors: a) continuing sluggish revenues, b) a $2.7 million State takeaway, c) an additional transfer of $1.7 million to the risk management fund for FY 2003/04 claims costs, d) and a delayed State Board of Equalization decision on a sales tax appeal that could have enabled the City to recognize $3.6 million received in prior years but deferred pending successful resolution of the appeal. The FY 2005/06 budget assumes that the remaining $2.8 million of available fund balance and $3.2 million of Budget Uncertainty Reserve funds will be required to balance the budget and avoid sharper cuts in services, beyond those caused by the 5% reductions in non-safety functions. Were reductions not made, $7.5 million of the Budget Uncertainty Reserve would be required to balance the FY 2005/06 budget.

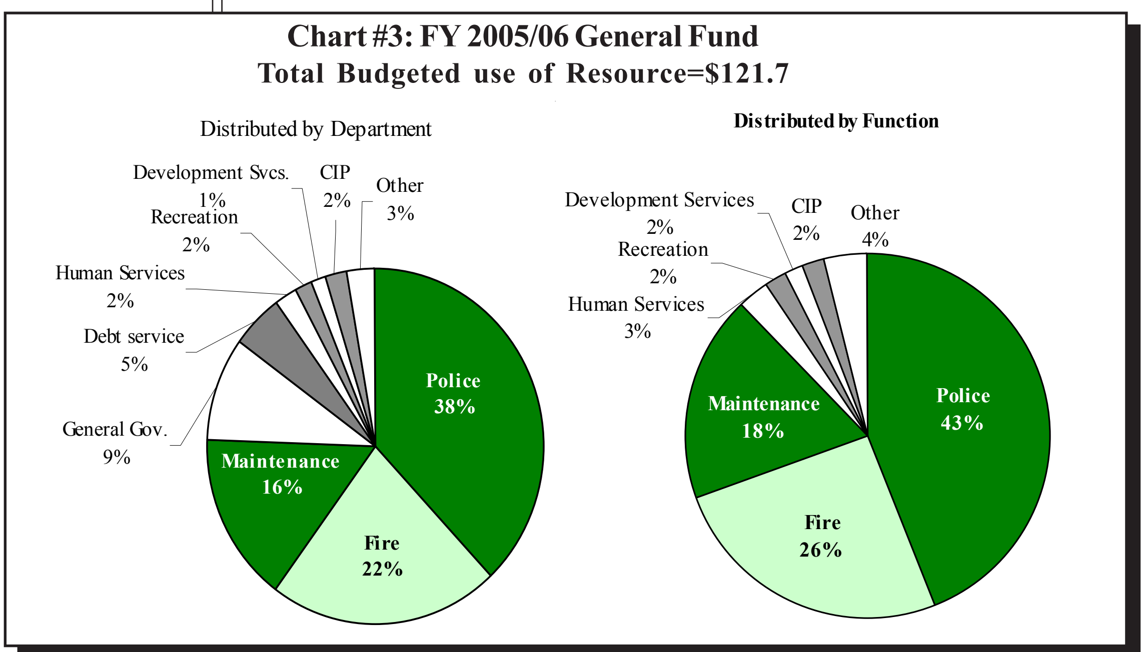
## Expenditures

For the past several years, the City has been transitioning to a permanent lower revenue base. The tech sector recession that began in 2001, coupled with the terrorist attacks of September 11, 2001, caused a dramatic drop in City revenues in FY 2001/02 and FY 2002/03. That relatively sudden revenue shock prompted budget cuts for FY 2003/04 of greater than 20% and service cuts throughout the City organization. These cuts were disruptive to the community and to City employees; 224 positions were eliminated, approximately half of which were filled and required layoffs. While difficult, the FY 2003/04 reductions afforded the City some time during FY 2004/05, without budget cuts, to monitor the economy and survey the community before making further budget and service cuts. FY 2003/04 financial results, presented to the City Council in December 2004, revealed that revenues for that year had decreased again, while service costs continued to increase and the threat of further State takeaways looms at the State level. The FY 2005/06 budget reflects the strategy borne of these circumstances.

City governments must live within their means; ongoing revenues must be adequate to support ongoing costs. Given the circumstances outlined above, and the obligation to balance the budget, the FY 2005/06 expenditure budget includes further ongoing budget and service reductions equal to 5% in all non-safety functions. To prevent the need for even deeper ongoing reductions this year, the budget reduces General Fund support for the development and recreation cost centers by $500,000 each in FY 2005/06. And, because projected costs remain higher than projected revenues, the budget relies upon $2.8 million of General Fund fund balance and $3.2 million from the Budget Uncertainty Reserve to close the year in balance. Spending fund balance, combined with prudent use of the Budget Uncertainty Reserve, enables the City to preserve services and staffing that would otherwise have to be eliminated until long-term revenue trends are revealed.

FY 2005/06 budgeted expenditures and transfers out to other funds total $121.7 million, which is virtually identical to the level budgeted three years ago, before the revenue decline that prompted major budget reductions in FY 2003/04. The budget maintains the City Council's long-time funding priorities by allocating 76% of the budget to direct costs for public safety and maintenance. Maintaining these priorities within constrained revenues and in the face of rising service costs makes it impossible for the City to continue providing services at the levels the community has come to expect. Examples of the service reductions associated with the FY 2005/06 budget include a reduction of almost $1 million to the City's already inadequate maintenance budget, the elimination of public safety neighborhood outreach efforts, cuts to senior and teen programs, and delayed customer service citywide. The "Budget Overview" section of this document chronicles the service impacts of recent budget cuts in more detail. Without new revenues, services will continue to deteriorate, and slow revenue growth will preclude the investments required to keep Fremont a high-quality community.

For many years, the City Council's service priorities have been public safety and maintenance. The FY 2005/06 budget continues to reflect these priorities, with 76% of the budget allocated to direct costs of the police, fire, and maintenance departments. As the right-hand pie chart below shows, the share of General Fund resources budgeted for these purposes is actually 87%, when overhead costs required to support them are allocated.




The $121.7 million budgeted for ongoing services in FY 2005/06 is 5% higher than comparable expenditures and transfers out in FY 2004/05. Without budget cuts in all non-safety functions, the increase would have been approximately 10%. The budget increase is attributable to increased costs for existing service levels. Like all businesses, the City has coped with rising costs for everything from service contracts and utilities to employee health care, workers' compensation claims, and retirement system costs.

Basic city services, such as police, fire, and maintenance, are labor-intensive. Therefore, the City's budget is largely driven by labor-related costs, including salaries, health benefits, and retirement system contributions. These costs comprise almost 80% of the FY 2005/06 budgeted expenditures (excluding transfers out to other funds), or $70.9 million. As the table below shows, these costs are increasing 6% from FY 2004/05 levels.

**Table #5: Employee Cost Comparison: FY 2004/05 and FY 2005/06**

| | FY 2004/05 (est.) | FY 2005/06 | Change ($) | Change (%) |
|---|---|---|---|---|
| Salary-related compensation | $48.7 M | $50.4 M | $1.7 M | 4 % |
| Benefits | 7.5 | 7.8 | 0.3 | 4% |
| CalPERS contribution | 10.5 | 12.7 | 2.2 | 21% |
| Total | $66.7 M | $70.9 M | $4.2 M | 6 % |

Much of the increase is attributable to rising CalPERS retirement system costs, over which the City has little control. Contributions to CalPERS, of which the City and the vast majority of public agencies in the state are members, remain a relatively small share of total costs. But they have increased sharply since the economic downturn began in 2001. The rates the City pays are driven heavily by performance of the CalPERS investment portfolio. During the boom of the 1990s, the CalPERS investment portfolio was earning double-digit returns—well in excess of the 7.75% annual return on investment CalPERS assumes in its actuarial rate-setting model. This resulted in the City's contribution rates to CalPERS being unusually low.

Similar to the investments of pension plans throughout the country, however, CalPERS' investments have been hit hard by the difficult economy over the past four years, and they have experienced losses. As a result, because of the way in which CalPERS meters investment performance into our rates, we expect that unusually high contribution rates will continue for the foreseeable future. For FY 2005/06, the City faces another increase in CalPERS rates, from $10.5 million to $12.7 million. Assuming the economy remains relatively stable, rates are expected to remain at approximately the FY 2005/06 rate through the five-year forecast period. Only consecutive years of strong stock market performance will reduce our costs significantly in future years.

With the exception of risk management costs, other General Fund cost increases for FY 2005/06 are routine and modest, linked to assumptions for general consumer inflation. The budget for materials, supplies, and other non-staffing items was increased by 1%, to account for inflation, but was then subject to 5% budget reduction plans in all non-safety service areas. In the risk management area, costs for workers' compensation claims are rising by nearly 20%, from $2.7 million to $3.2 million. The increase is based on recent actuarial studies revealing that while the frequency of claims has remained relatively constant, the severity of claims has worsened, thereby increasing the City's costs. Costs are expected to moderate or decrease slightly in future years, as new legislation enacted in FY 2004/05 takes effect.

## Transfers Out to Other Funds

In addition to direct expenditures, the General Fund transfers resources to other funds to support activities that cannot be supported through fees, grants, or charges for service. These activities range from capital projects and debt service, to maintenance and certain cost center operations, to reserve accounts with specific purposes. The transfer to the Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) is increasing from $1 million to $1.3 million. The increase is part of a two-year funding plan to support the necessary update of the General Plan. The transfer to Maintenance is increasing by $400,000 (2%). Costs to continue the FY 2004/05 service level in this area have actually increased by approximately $2 million, but General Fund support has been limited as part of the plan to reduce General Fund support in all non-safety functions.

Transfers to cost centers, which fund Development and Environmental Services (DES), Recreation, and the Senior Center, are decreasing by 21%. Like other non-safety functions, these transfers were reduced by 5% as part of the citywide plan. In addition, for Recreation and DES, General Fund transfers were reduced by an additional $500,000 each as part of the City's plan to balance the FY 2005/06 budget. Similar to the General Fund, the cost centers have fund balances, upon which they will draw if their costs exceed their FY 2005/06 revenues. While the 5% reduction is ongoing, the $500,000 reduction to each cost center is intended to be one-time in nature, with the funding restored in FY 2006/07, as the General Fund is able.

The largest increasing transfer out of the General Fund is for debt service payments for recently constructed City facilities. Increases can be misleading for this expenditure category, however, because costs in recent years and FY 2005/06 are lower than they might otherwise be had the City not taken proactive steps to decrease debt service payments for FY 2003/04 through FY 2005/06. First, the City took advantage of extremely low interest rates during the spring of 2003 to refinance the City's debt, thereby reducing debt service payments. Second, following the decision not to build Fire Station 11 in the west industrial area, the City used debt proceeds for that project to pay down the existing debt. The use of debt proceeds to repay debt saved the General Fund more than $3 million in debt service over three years. In FY 2004/05, debt service obligations began on the new Maintenance Center and expanded City Hall facilities. The full debt service costs for these projects will not affect the General Fund until FY 2006/07.

The General Fund contains three reserves that may be funded with annual transfers from the General Fund:

- the Contingency Reserve, which is intended to help mitigate the effects of natural disasters and severe, unforeseen events;
- the Program Investment Reserve, which provides a source of working capital for new initiatives that have the potential to generate significant funding from external sources; and
- the Budget Uncertainty Reserve, which is intended to offset quantifiable revenue uncertainty in the budget years of the five-year forecast

Table #5 summarizes the FY 2005/06 projected funding levels for each reserve. Funding levels for the Contingency Reserve and the Program Investment Reserve are linked by Council policy to the amount of total expenditures and transfers out budgeted each year (12.5% and 2.5%, respectively). Since the rate of total budget growth in FY 2005/06 is smaller than in FY 2004/05, the amount required for transfer to these reserves in FY 2005/06 is smaller. As the table below illustrates, total General Fund reserves are increasing from $28.4 million to $29.3 million to keep their balances in compliance with City Council reserve policies (which may be found in the "Policies and Glossary" section of this document). The Budget Uncertainty Reserve level does not have a targeted funding level, so there is no required contribution in FY 2005/06.

**Table #5: General Fund Reserve Balances**

| | FY 2004/05 balance | **FY 2005/06 transfer** | July 1, 2005 balance |
|---|---|---|---|
| Contingency Reserve | $ 14.4 M | **$ 0.7 M** | $ 15.1 M |
| Program Investment Reserve | 2.8 | **0.2** | 3.0 |
| Budget Uncertainty Reserve | 11.2 | **0.0** | 11.2 |
| Total General Fund Reserves | $ 28.4 M | **$ 0.9 M** | $ 29.3 M |

Experience since FY 2001/02 has reminded the City how quickly the economy can change or the State can unexpectedly take City revenues to solve its problem. Related budget experience has further shown how quickly one-time resources (fund balance, for example) can be consumed in response to sudden revenue losses. With these lessons in mind, the City is reluctant to spend reserves, especially when revenue shortfalls are structural, as opposed to cyclical, in nature. Reserves are one-time resources, and are therefore not replaced once they are spent. Neverthe less, the City expects to consume $3.2 million of the Budget Uncertainty Reserve in FY 2005/06 to help balance the budget. This use of the Budget Uncertainty Reserve is considered to be an appropriate strategy to bridge to a longer-term solution. The FY 2005/06 budget does not anticipate the need to spend either the Contingency Reserve or the Program Investment Reserve.

## Five-Year Forecast

The five-year financial forecast is a planning tool that helps the City identify important trends and understand long-term consequences of budget decisions. While not perfect, the forecast tools have been instrumental for modeling the effect of recent budget issues, such as: rising retirement system costs, the short- and long-term consequences of issuing variable rate debt, and potential scenarios of future revenue performance. The ability to model cost and revenue trends beyond the next budget year helps the City to make proactive budget decisions early in an economic cycle, such as the recent economic downturn. As a case in point, delaying the budget cuts adopted with the FY 2003/04 budget would have resulted in even larger gaps to close, and more drastic solutions to endure, in FY 2005/06 and FY 2006/07.

The forecast is not a plan, but a model based on cost and revenue assumptions that are updated continuously. Of these components, future cost projections, based on known costs, are relatively reliable. For example, the City has multi-year agreements with employee bargaining units. Annual wage increases specified in the agreements can be modeled to provide a relatively accurate picture of future labor costs, which comprise more than three-quarters of total costs.

Revenue forecasts, on the other hand, are based on assumptions related to future economic conditions, which are fraught with uncertainty. Economic forecasts in financial markets and the media swing from optimistic to pessimistic on a seemingly weekly basis. For this reason, the five-year financial forecast is updated continuously, and is the subject of periodic City Council discussion. Since the degree of revenue uncertainty increases with each successive year of the forecast (i.e., staff has much more confidence in projections for FY 2005/06 than for FY 2009/10), the forecast is a more viable framework for decision-making in the near term, but only suggests relative financial health based on stated economic assumptions in the later years of the forecast.

Key forecast assumptions included in the five-year forecast proposed with the FY 2005/06 budget include:

- The economy, and therefore total ongoing revenues, will continue modest recovery in FY 2005/06. As Table #6 on the next page suggests, revenue growth rates slightly higher than FY 2005/06 are projected for the remaining years of the forecast period. In most cases, the growth factor for all years after FY 2005/06 is equal to the revenue's 10-year historical performance, in terms of percentage change from the prior year. This suggests that the economy has recovered to an "average" condition. If another economic downturn or recession occurs, the relative balance of the budget in later years of the forecast will change, and corrective action will be recommended.

**Table #6: Key General Fund Revenues: Annual Growth Assumptions**

| | FY 2005/06* | FY 2006/07 | FY 2007/08 | FY 2008/09 | FY 2009/10 |
|---|---|---|---|---|---|
| Property tax | 6.0% | 6.5% | 6.5% | 6.5% | 6.5% |
| Sales and use tax (base) | 5.0% | 5.4% | 5.4% | 5.4% | 5.4% |
| Vehicle license fees | 7.0% | 6.2% | 6.2% | 6.2% | 6.2% |
| Business taxes | 5.0% | 4.5% | 4.5% | 4.5% | 4.5% |
| Hotel/motel taxes | 6.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| Franchise fees | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |

*Includes 1% increase to compensate for the historical tendency to underestimate revenue.

- While Proposition 1A provides limited protection for local revenues, potential State revenue takeaways are not predictable enough to warrant modeling, and are not included in the forecast.

- Significant additional revenue within existing revenue categories (e.g., property and/or sales tax) due to new construction is included.

- All service reductions and corresponding budget reductions implemented in prior years or associated with the FY 2005/06 budget remain in place for the five-year forecast period.

- Cost increases based on negotiated agreements with employee bargaining units and the Consumer Price Index (CPI) are included.

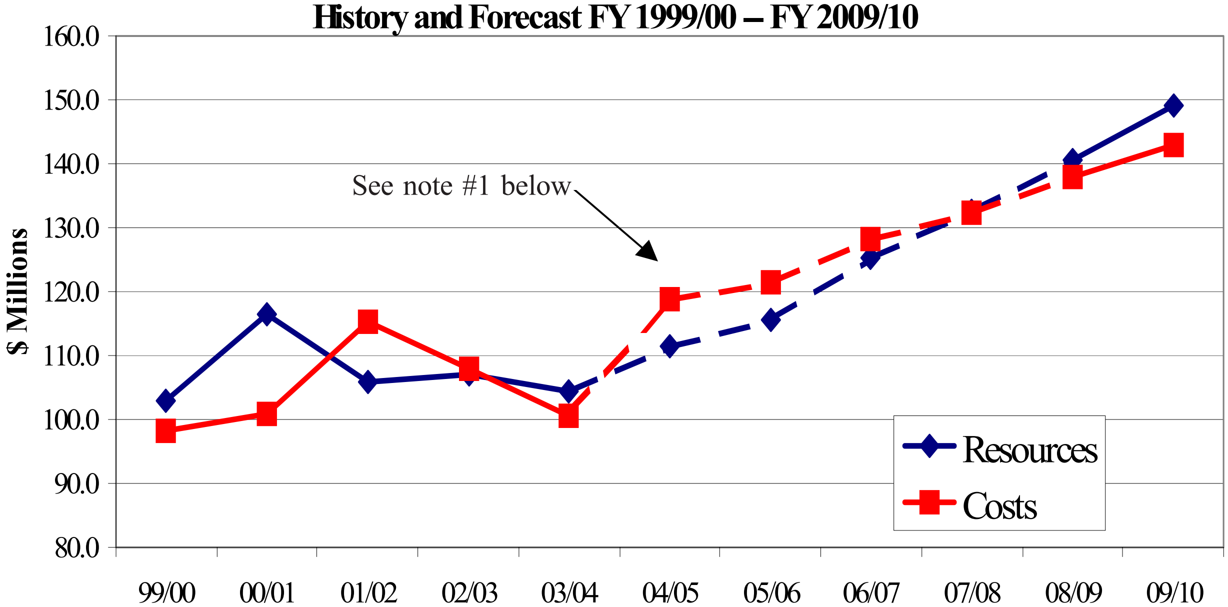
- Commitments for fund transfers contained in the adopted FY 2005/06 – FY 2009/10 CIP/ICAP are included.

- Commitments for all known and anticipated debt service are included.

The complete five-year forecast may be found on page 83 of the budget document. As Chart #7 on the next page illustrates, projected resources for FY 2005/06 will only approach the level received in FY 2000/01. Even though we believe that we have managed through the worst of the recession, the lower revenue base from which we now must budget and provide services makes it even more difficult to accommodate increasing costs in the future. The steep revenue losses caused by the recession that began in FY 2001/02, however, will have long-term effects on the City's ability to fund basic services.

**Chart #7: General Fund Expenditures and Revenues**

**History and Forecast FY 1999/00 – FY 2009/10**




Notes:

1. FY 2004/05 "costs" include one-time transfers to Budget Uncertainty Reserve ($3.3M) and Risk Management Fund ($1.7M) not required in following years.
2. FY 2005/06 and FY 2006/07 "resources" exclude the use of fund balance and Budget Uncertainty Reserve required to balance the forecast in FY 2004/05 through FY 2006/07.

The five-year forecast suggests the following, **assuming the economy continues to grow at historically average growth rates:**

- Budget reductions were necessary and prudent for FY 2005/06. If not for the $3.2 million of ongoing cuts, annual budget gaps would be larger, with a structural imbalance remaining through the forecast period.

- Even with the FY 2005/06 budget cuts, the City will face deficits in FY 2005/06 and FY 2006/07 that will require spending all remaining fund balance **and** $6 million from the Budget Uncertainty Reserve.

- Beginning in FY 2007/08, resources will be adequate only to support the reduced service levels adopted with the FY 2005/06 budget, with no additional staffing or additional investment in maintenance or capital projects.

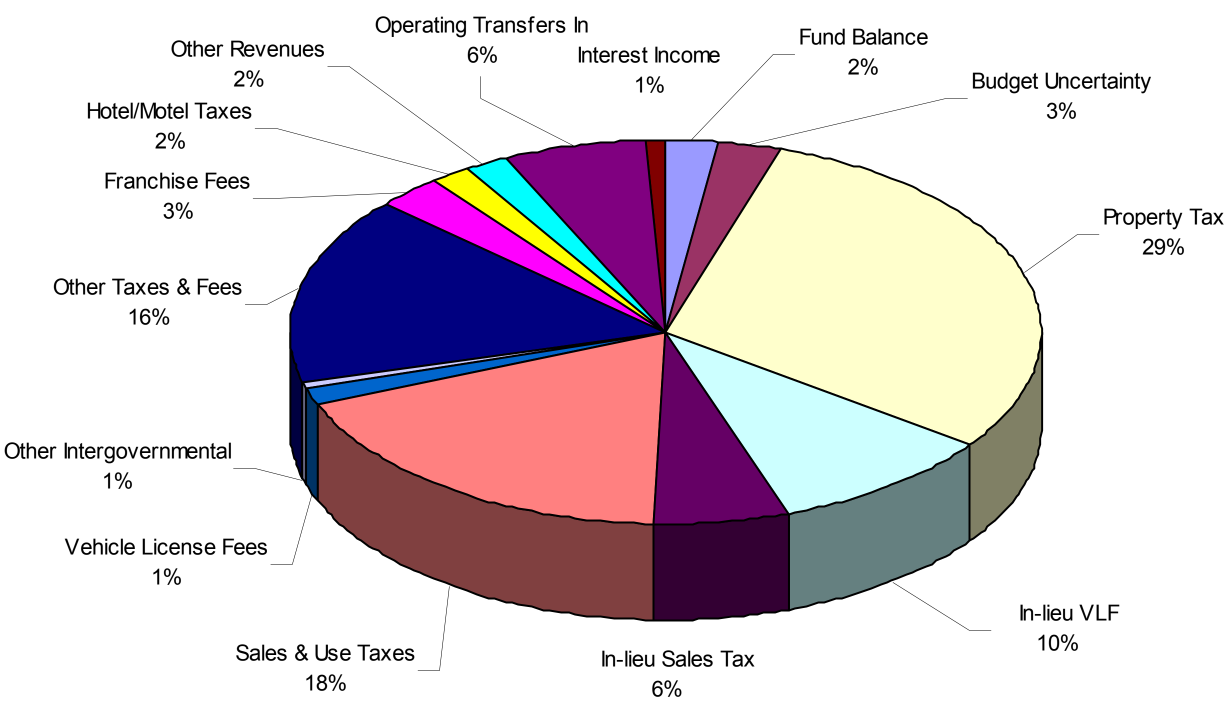
- In five years, FY 2009/10, resources *may* be adequate to begin restoring services, but not to levels the community previously enjoyed. Resources are projected to exceed costs by $6 million in FY 2009/10. As preliminary estimates for keeping all fire stations open 24 hours daily, responding to all police emergencies, and keeping streets and parks from crumbling will cost $20 million more today than is currently available, "average" revenue growth will not be enough. Only a new revenue source or unprecedented revenue growth will provide the resources necessary to restore and preserve Fremont's current quality of life.

As previously noted, the five-year forecast is updated continuously, and it is the subject of discussion with the City Council periodically. Given the level of uncertainty associated with the economy and revenues, the later years of the forecast are best viewed with caution as a relative measure of financial health, with all assumptions and related uncertainty in mind. In this case, the actions taken in FY 2005/06 may result in a new structural balance in FY 2007/08, albeit at service levels that will ultimately jeopardize Fremont's public safety and quality of life.

# General Fund Operating Resources



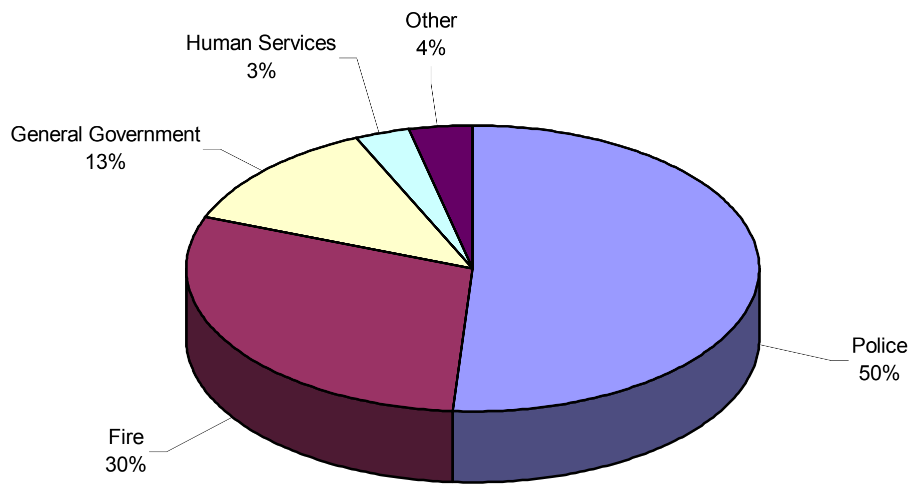
General Fund Available Resources
Fiscal Year 2005/06: $121,667,000



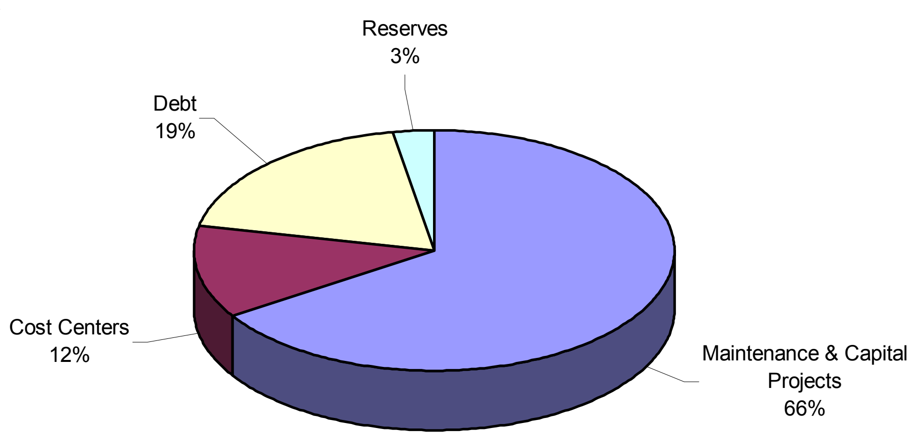
# General Fund Allocation of Resources



General Fund Expenditures
Fiscal Year 2005/06: $89,421,000




General Fund Transfers Out
Fiscal Year 2005/06: $32,246,000



# Non-Departmental Budget

Appropriations of the General Fund not directly associated with specific departments are classified as "nondepartmental." Several expenditure items are included, as well as certain types of anticipated general savings that are not identified with or allocated to individual departments.

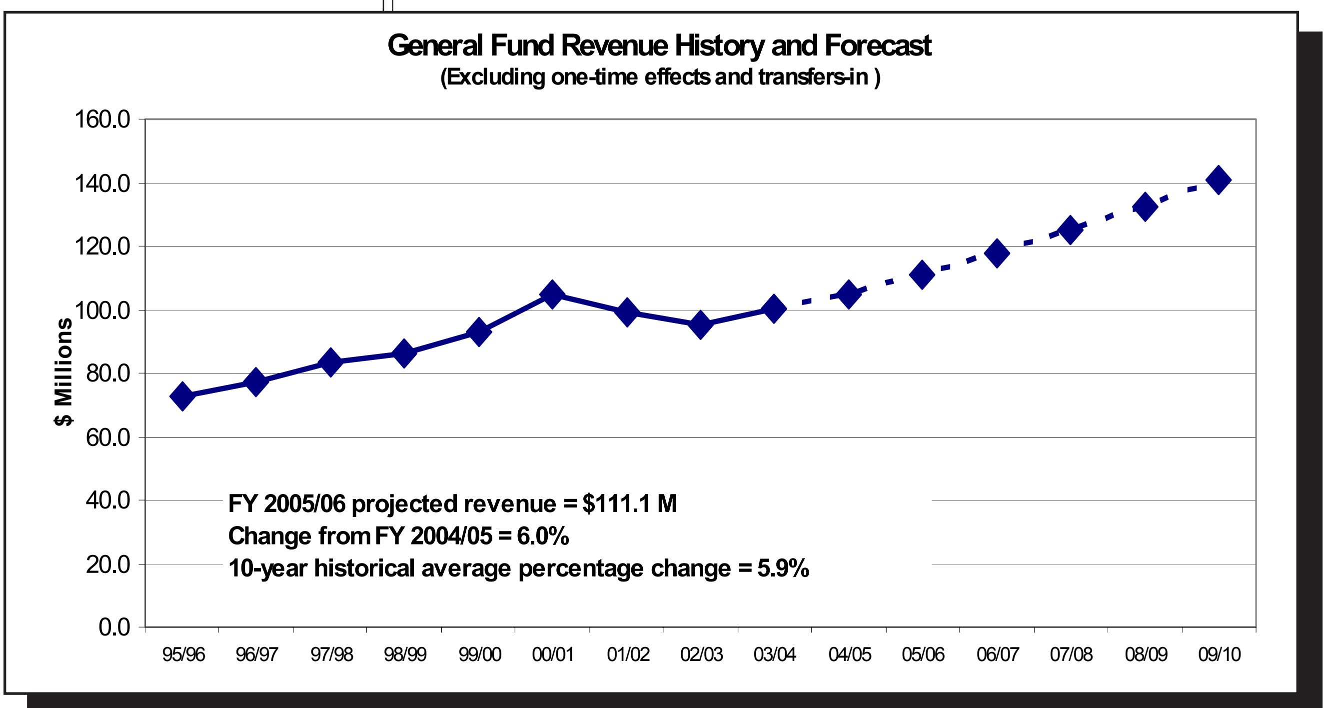
| **Expenditure Items** | |
|---|---|
| • Annual Operating Contingency Account | $600,000 |
| • Employee leave pay-out | 1,000,000 |
| • Property tax administration fee and revenue audit fees | 432,000 |
| • Other non-departmental | 388,000 |
| **Non-Departmental Budget** | **$2,420,000** |

# General Fund Revenues

## Overview

Total General Fund revenues (excluding transfers in from other funds) for FY 2005/06 are forecast to be $108.3 million, which represents a $3.6 million increase from estimated actual revenues for FY 2004/05. However, FY 2004/05 revenues contained a $3.3 million payment for vehicle license fee revenues that were taken by the State from the City in FY 2003/04. Although the State anticipates repaying these funds in FY 2006/07, the City chose to participate in a financing program in order to receive these funds in FY 2004/05. Both FY 2004/05 and FY 2005/06 also include one-time State takeaways of $2.7 million in property tax revenue. Excluding these one-time effects, ongoing FY 2005/06 revenues are projected to increase by $6.3 million, or 6%.

As shown in the graph below, the City experienced a significant decline in revenue beginning in FY 2000/01. The timing of the revenue decline corresponded with the economic recession, and has prompted significant forecast uncertainty, given the unprecedented rate of decline. During FY 2003/04, the City began to recover from this blow. However, in spite of signs of modest recovery, estimates show that the City's actual revenues in FY 2004/05 will be lower than revenue levels of four years ago, in FY 2000/01. It is anticipated that in FY 2005/06, the growth for total revenues will be on par with 10-year historic average growth rates.



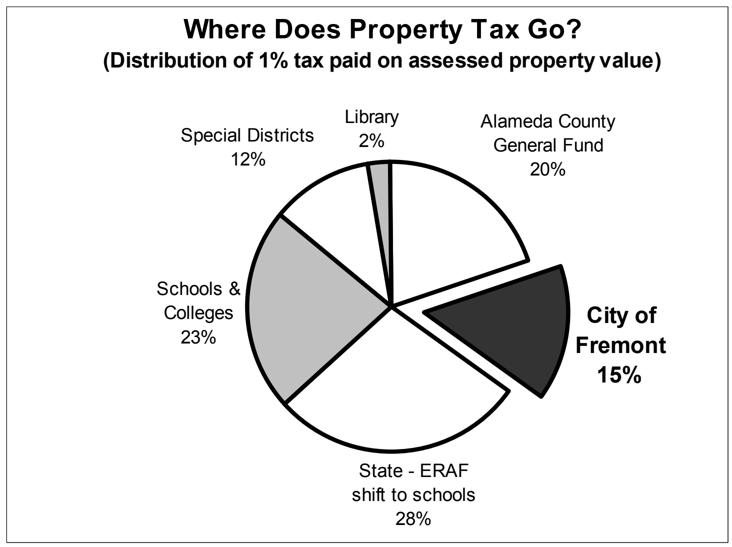

This section provides additional background and forecast information for the following key General Fund revenues:

- Property Tax
- Sales and Use Tax
- Vehicle License Fees (VLF)
- Franchise Fees
- Hotel/Motel Tax
- Business Tax

# Property Tax

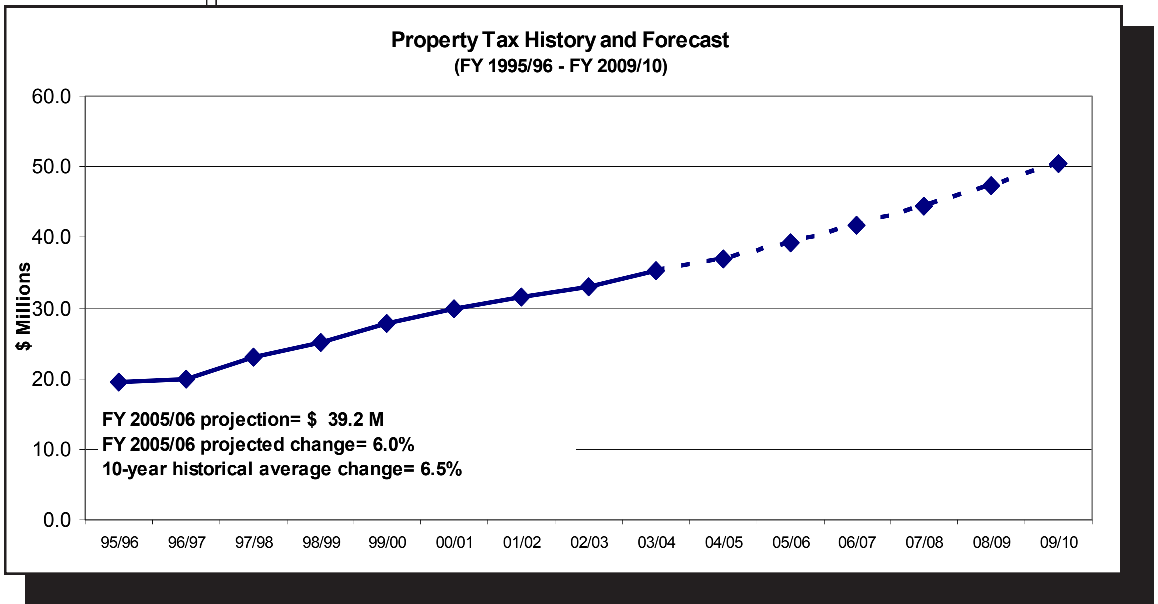
**Description:** Property tax is imposed on real property (land and permanently attached improvements such as buildings) and personal property (movable property). The amount of tax paid by property owners is based on the property's assessed value, as determined by the County Assessor. The rate is limited by Proposition 13 to 1% plus rates imposed to fund indebtedness approved by the voters. It is the City's single largest revenue source, comprising approximately 35% of FY 2004/05 projected revenues, or $37.0 million.

As the graph below indicates, the City of Fremont receives 15 cents of every dollar of property tax paid. Most property tax paid is received by Alameda County and the Fremont Unified School District.



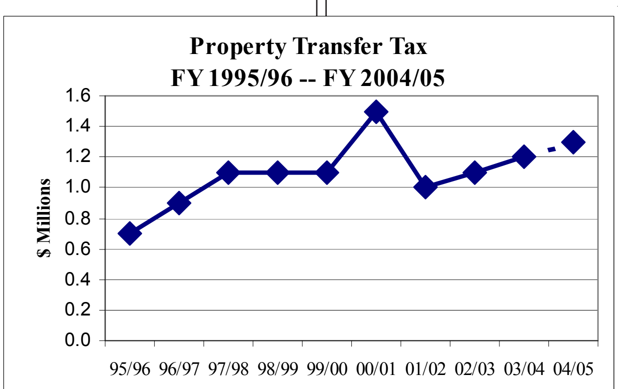

Proposition 13, passed by California voters in 1978, transferred authority over distribution of property tax to the State Legislature. The shares of property tax granted by the Legislature after Proposition 13 passed reflected the historic shares of the tax levied in each city before Proposition 13 passed.

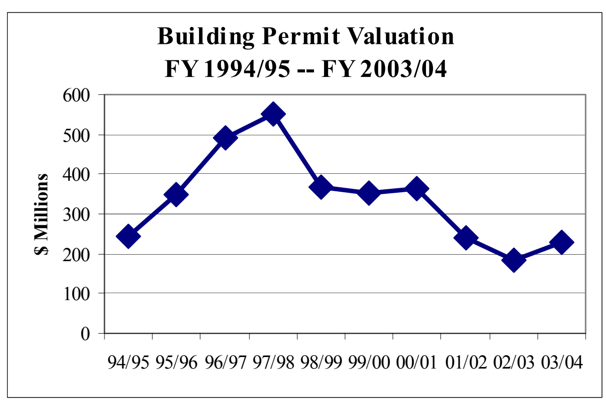
**Forecast:** Property tax is projected to grow by 6.0% to $39.2 million in FY 2005/06. Proposition 13 allows assessed valuation on properties that are not sold during the year to grow by up to 2% each year (based on growth in California personal income). Continued strong volume of real estate sales provides additional confidence for projected growth. For FY 2006/07, property tax is projected to grow by 6.5%, which is the 10-year historic average rate of growth for this revenue stream.




**Key Factors in the Forecast:** The most important and direct indicator of property tax revenue is the assessed value of the property subject to the tax. The continuing strong real estate market drove Fremont's growth in assessed valuation, and resulting property tax revenue, throughout the second half of the 1990s. Assessed valuation growth remained strong for FY 2003/04, the last year for which the City has complete data, and appears to remain strong FY 2004/05. The FY 2005/06 projection for 6.0% revenue growth reflects confidence that property values will remain strong, without significant property value reassessment. Given the continued weakness in the high technology industry, the chance for reassessment is greatest in the commercial market, which is one-third of Fremont's property tax base, but could also affect the residential property tax base if interest rates rise quickly and property sales activity stagnates.

Two other trends support the assumption for continued strong property tax revenue growth: continued strength in property transfer tax receipts and stabilizing building permit valuation trends.



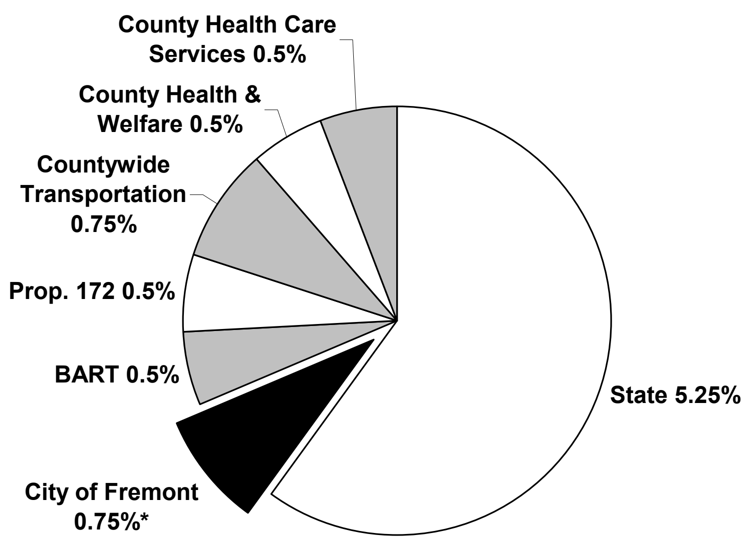



# Sales and Use Tax

**Description:** Sales tax is collected, at a rate of 8.75%, on the sale of taxable goods purchased in Fremont. Use tax is charged to the user of taxable goods for which sales tax was not collected at the time of purchase. Sales and use tax represent 25% of General Fund revenues. Prior to FY 2004/05, the sales tax rate in Fremont was 8.25%, and the City received 12.1% of the tax paid, which equates to approximately 1% of the price paid for the good. In March 2004, Alameda County voters passed Measure A, to fund County Health Care Services, raising the sales tax rate by .5% to 8.75%.

Also in March 2004, California voters passed Proposition 57, approving the sale of State Economic Recovery Bonds. As part of an agreement known as the “triple flip,” the bonds are secured by a quarter cent increase in the State’s share of sales tax and a corresponding decrease in the share of sales tax going to local governments. To compensate for their lost sales tax revenue, local governments have been granted additional property tax dollars until such time as the bonds are repaid. As shown in the figure below, the City’s share of sales tax is currently 8.6% of total sales tax, which equates to approximately .75% of the price of the good.

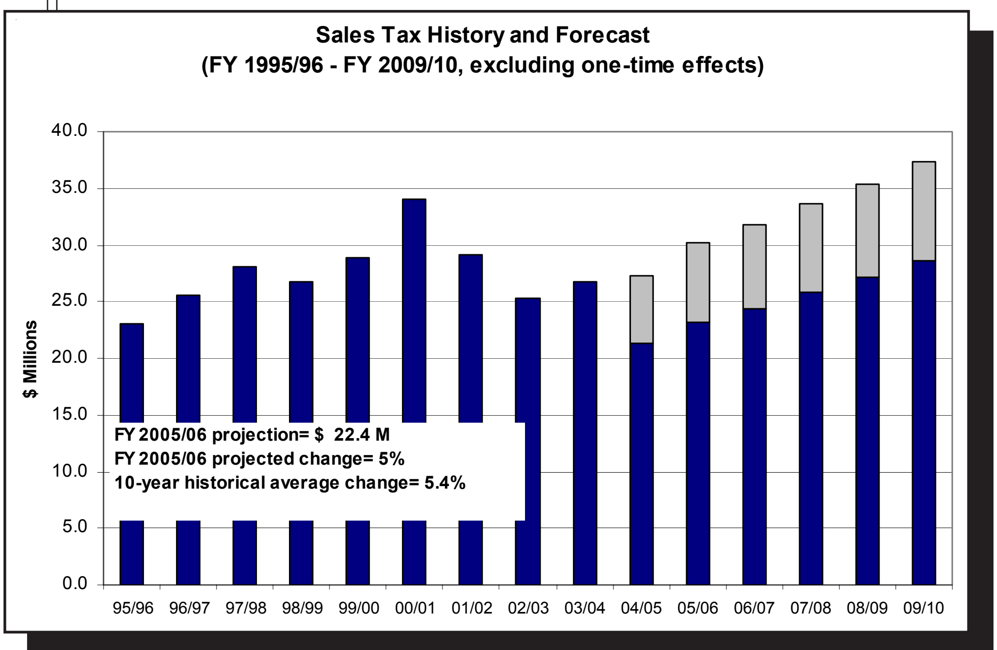
**Where Does Sales Tax Go?**
**(Distribution of 8.75% paid, including effect of the “triple flip” legislation)**



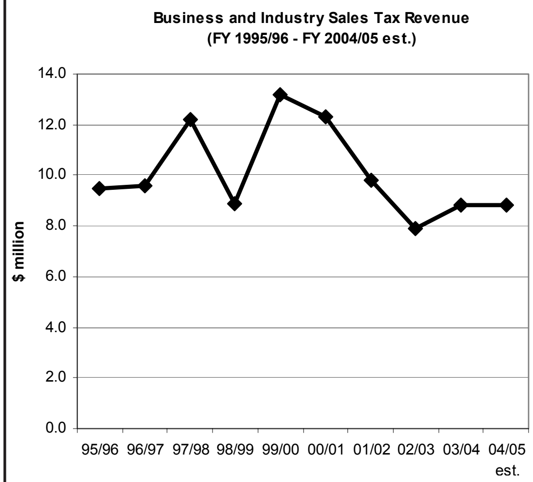

*Alameda County receives a 5% share of the City’s share of sales tax, or 0.05% of the total. This means that the City’s actual share is 0.71% after the triple flip.

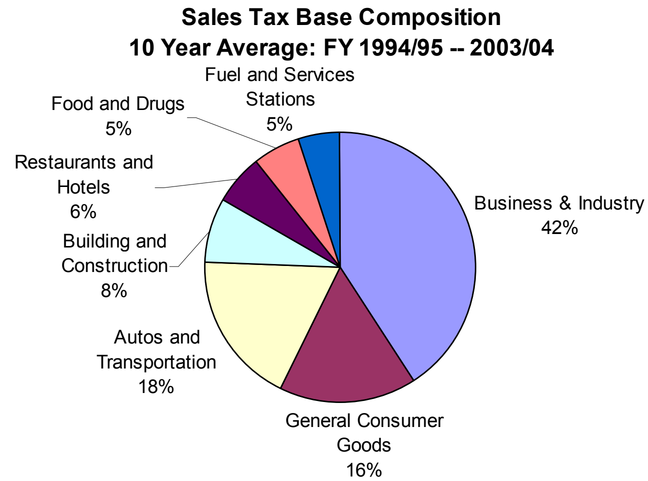
**Forecast:** The forecast assumes 5% growth in "base" sales tax revenue for FY 2005/06. This growth in the base also includes approximately $500,000 from new retail at the Pacific Commons retail center, which began opening stores in FY 2004/05. The five-year forecast assumes that sales tax growth will continue to strengthen and that ongoing revenues will return to the historical 10-year average annual growth rate of 5.4% by FY 2006/07.

The graph below displays the sales tax forecast. In FY 2004/05, the City began to receive property tax payments as a replacement for sales tax revenue shifted to the State as a result of the triple flip. The blue bars on the graph represent sales tax dollars, whereas the gray bars represent property tax dollars the City is receiving in lieu of sales tax.




**Key Factors in the Forecast:** Through FY 2004/05, sales tax revenues are estimated to have dropped approximately 18% from the level recorded in FY 2000/01. The driving force in this decline has been high-tech business-to-business sales. The business and industry segment of our tax base, which includes most business-to-business activity, grew during the 1990s from 30% of the tax base in FY 1990/91 to 41% in FY 2000/01. It has since receded to an estimated 37% of the base for FY 2004/05. As it remains the largest segment of the sales tax pie, the City remains vulnerable to the relative weakness of the Silicon Valley economy.



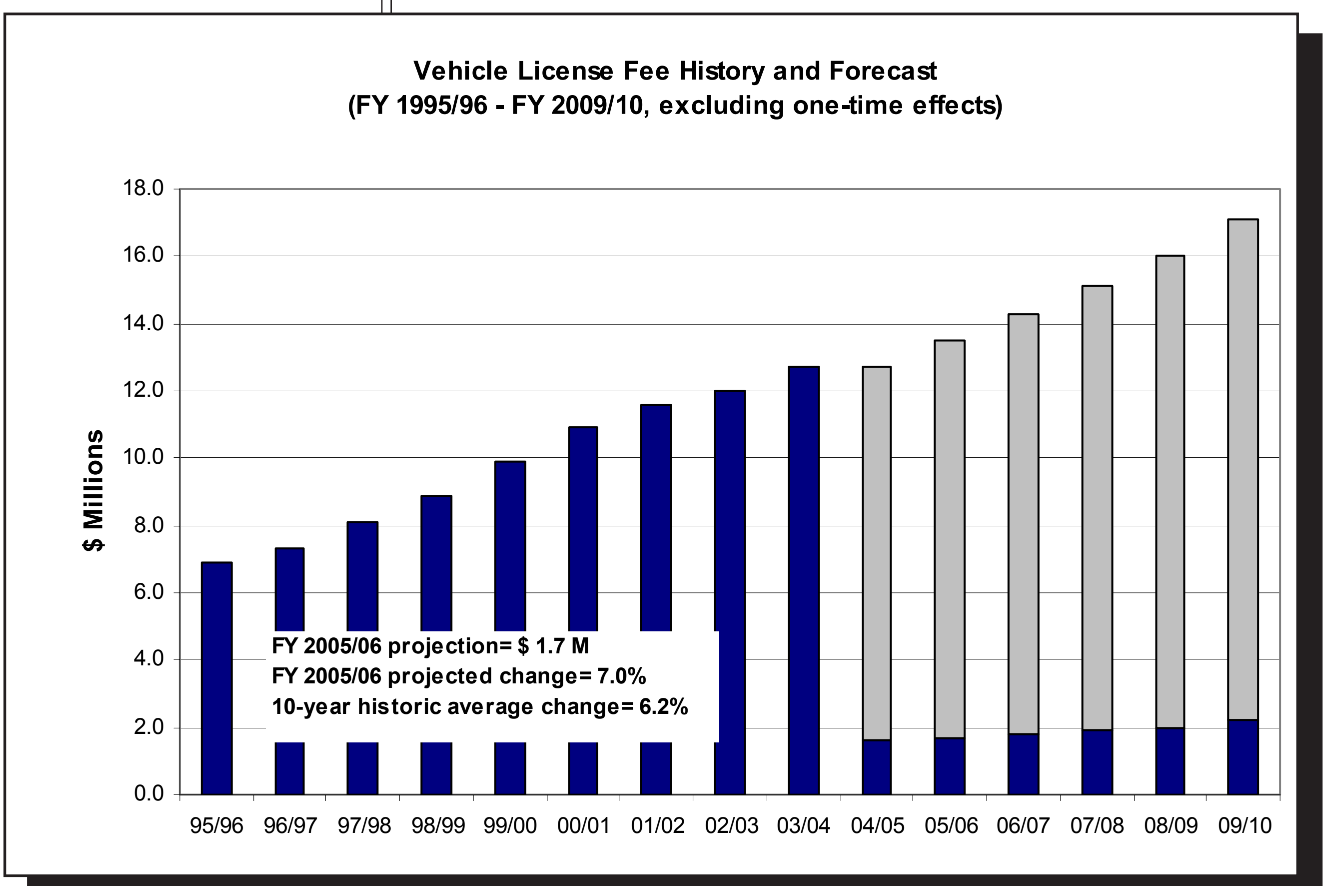

Since the peak year of FY 2000/01, revenue from the high-tech sector has decreased by one-third, or approximately $4 million. Most other retail categories have been stable. The forecast follows the overarching assumption that the economy will continue to recover in FY 2005/06, and that inflation will remain low.

## Vehicle License Fees (VLF)

**Description:** A vehicle license fee is imposed on vehicles registered in California. It is administered by the State on behalf of cities and counties in lieu of other local taxes on personal property. The tax rate is 0.65% of the market value of the registered vehicle. Revenue is distributed evenly between cities and counties, then allocated to cities based on population.

VLF revenue has been dedicated to support local government since the 1930s. In connection with its FY 1998/99 and FY 1999/00 budget adoption, the State reduced the vehicle license fee by 35% as a form of tax relief to vehicle owners. The shortfall was made up to local governments from the State's general fund. In FY 2000/01, the State reduced the VLF by an additional 32.5%, for a total of 67.5%. The net result of these reductions was to lower the VLF rate from 2% to .65%. The money transferred to local governments as a substitute for reduced portion of the tax is known as "backfill." In June 2003, the State determined that it could not continue to make backfill payments and restored the rate to 2%. However, in the fall of 2003, the rate was again reduced to .65% by Executive Order of the new Governor and the backfill was reinstated. As part of the FY 2003/04 budget, the backfill was eliminated and replaced with property tax.

**Forecast**: The City is projecting growth of 7.0% in VLF revenue for FY 2005/06. In FY 2006/07, the growth rate is predicted to return to the 10-year historic average of 6.2%.



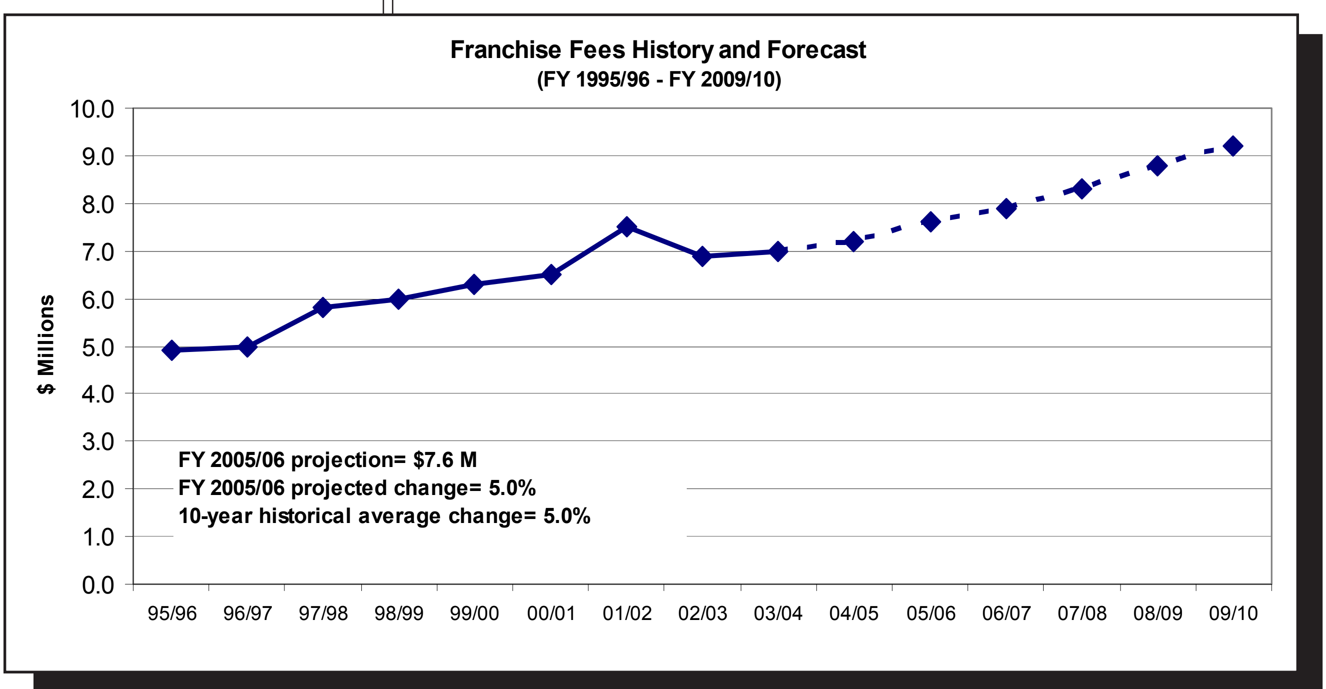
The graph on the prior page displays the VLF forecast. In FY 2004/05, the City began to receive property tax payments as a replacement for the Vehicle License Fee backfill. The blue bars on the graph represent VLF dollars, whereas the gray bars represent property tax dollars that the City is receiving in lieu of the VLF backfill.

**Key Factors in the Forecast:** Strong auto sales and consistent population growth have fueled the growth in this revenue source for several years. While vehicle sales have fluctuated in recent quarters, they have remained strong state-wide. Since VLF revenue is allocated state-wide, based on population, growth trends are less sensitive to local market conditions than other revenues, such as sales tax.

## Franchise Fees

**Description:** State statutes provide cities with the authority to impose fees on privately owned utility and other companies for the privilege of using city-owned rights-of-way. The City receives franchise fees from the electric and gas utility, the solid waste franchise collector, and the local cable provider. The franchise fee is negotiated between the City and the utility. It is calculated as a percentage of gross receipts for utility services delivered within the City.

**Forecast:** Revenue is expected to recover slightly in FY 2004/05, and then strengthen further in FY 2005/06, with growth of 5%. Following FY 2005/06, the budget assumes that the growth rate will continue at the historical growth rate of 5%.

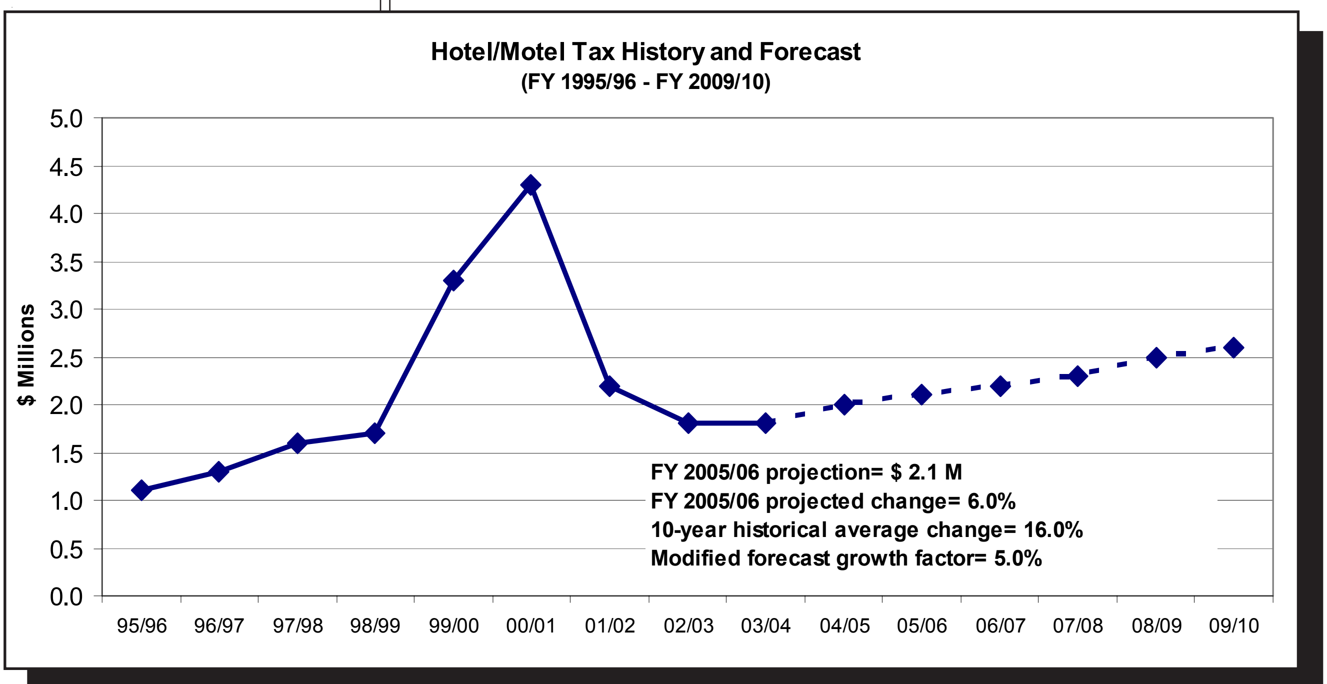


**Key Factors in the Forecast:** Franchise fee revenue increased by 2% in FY 2003/04. This was less than the historic rate of growth for this revenue source, in part due to a one-time refund to electricity customers associated with the energy crisis.

## Hotel/Motel Tax

**Description:** Hotel/motel tax is charged on hotel and motel room occupancies of fewer than 31 days. It is paid by hotel and motel customers in addition to the room rate. The tax rate is 8% of the room rate in Fremont, which is less than most neighboring cities' tax rates of 10%-12%.

**Forecast:** The budget assumes a growth rate of 6.0% for FY 2005/06, with a 5.0% growth rate for the remainder of the forecast.

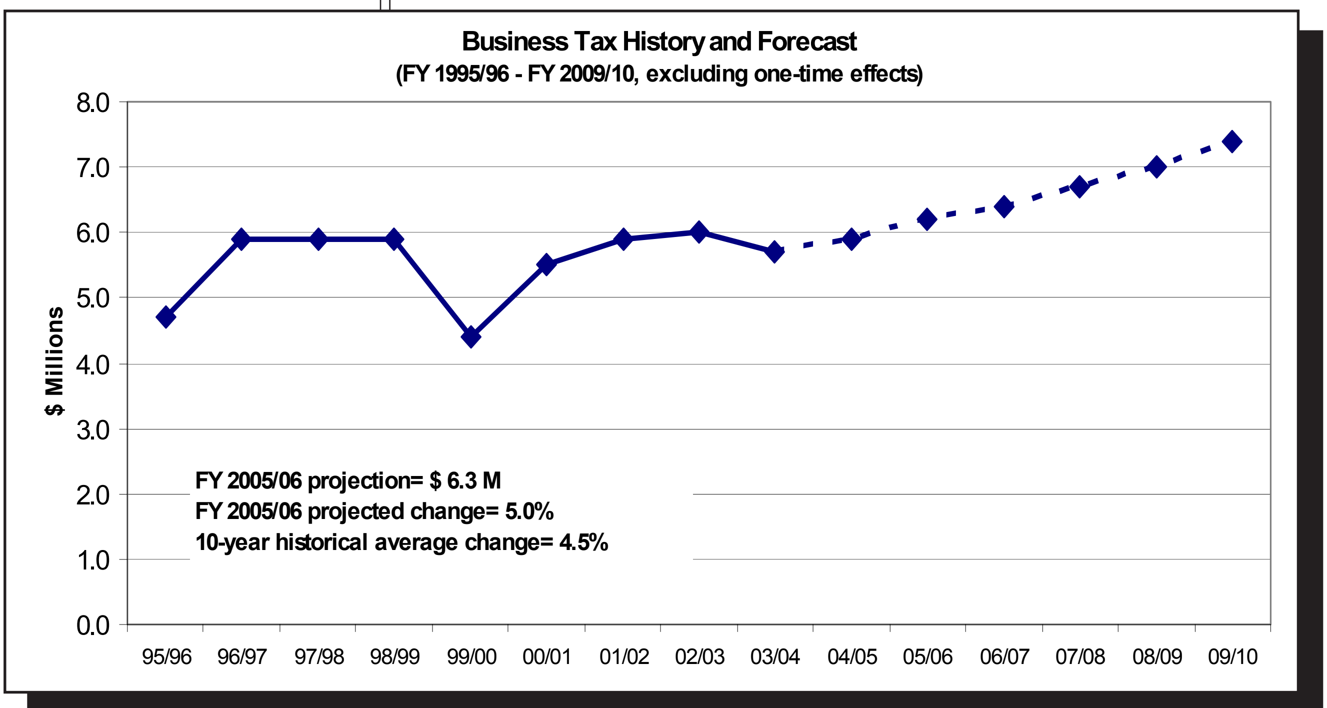



**Key Factors in the Forecast:** Hotel/motel tax revenues are projected to increase by 9.0% in FY 2004/05, which would represent the first growth in four years. Hotel/motel revenues have declined every year since FY 2000/01 due to an overall decline in business travel on which many of the City's hotels and motels depend. Budget projections indicate that growth will continue in FY 2005/06, and continue to grow moderately at 5.0%.

## Business Tax

**Description:** Business taxes are paid by individuals and entities for the privilege of conducting business in Fremont. The tax rate varies depending upon the type and size of the business and is based either on gross receipts or payroll.

**Forecast:** Business tax revenue is projected to grow modestly, by 5.0% in FY 2005/06, after which time steady growth is expected consistent with the historical average growth rate of 4.5% in FY 2006/07 and beyond.




**Key Factors in the Forecast:** Since the onset of the high-tech recession in FY 2000/01, business tax revenues have grown only slowly or declined, as in FY 2003/04, due to a decline in the City's manufacturing base. While the City has seen an increase in the number of home businesses, these newer companies do not generate the same volume of revenue as larger companies. During FY 2005/06, business taxes are expected to grow 5.0% and then continue at a 4.5% growth rate throughout the forecast.

**General Fund Recommended Budget and Forecast Through 2009/10**

| (Thousands of Dollars) | Estimated Actual FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 | FY 08/09 | FY 09/10 |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| **Intergovernmental:** | | | | | | |
| Property Taxes | $ 37,000 | $ 39,239 | $ 41,789 | $ 44,505 | $ 47,397 | $ 50,478 |
| State ERAF III Revenue loss | (2,730) | (2,730) | - | - | - | - |
| In-lieu VLF | 11,160 | 11,948 | 12,785 | 13,679 | 14,637 | 15,661 |
| In-lieu Sales Tax | 6,000 | 7,038 | 7,417 | 7,818 | 8,241 | 8,686 |
| Sales & Use Taxes | 21,300 | 22,374 | 23,581 | 24,855 | 26,197 | 27,612 |
| Vehicle License Fees | 1,600 | 1,713 | 1,819 | 1,932 | 2,052 | 2,180 |
| Other Intergovernmental | 750 | 766 | 774 | 782 | 790 | 798 |
| Business Taxes | 6,000 | 6,302 | 6,586 | 6,882 | 7,192 | 7,515 |
| Hotel/Motel Taxes | 2,000 | 2,121 | 2,227 | 2,338 | 2,455 | 2,579 |
| Property Transfer Taxes | 1,900 | 2,207 | 2,498 | 2,827 | 3,200 | 3,622 |
| Franchise Fees | 7,200 | 7,563 | 7,941 | 8,338 | 8,755 | 9,192 |
| Charges for Services | 3,200 | 3,394 | 3,621 | 3,863 | 4,122 | 4,398 |
| Fines | 2,900 | 3,046 | 3,199 | 3,358 | 3,526 | 3,703 |
| Investment Earnings | 1,300 | 1,366 | 1,443 | 1,525 | 1,612 | 1,704 |
| Paramedic Fees | 1,100 | 1,167 | 1,239 | 1,316 | 1,398 | 1,485 |
| Other Revenues | 800 | 832 | 874 | 917 | 963 | 1,011 |
| VLF Loan | 3,270 | - | - | - | - | - |
| **Total Revenues** | **104,750** | **108,346** | **117,793** | **124,935** | **132,537** | **140,624** |
| **Operating Transfers In:** | | | | | | |
| Recurring Transfers In | 6,676 | 7,328 | 7,583 | 7,846 | 8,121 | 8,408 |
| Total Operating Transfers In | 6,676 | 7,328 | 7,583 | 7,846 | 8,121 | 8,408 |
| **Resources Available: Revenues plus Operating Transfers In** | **111,426** | **115,674** | **125,376** | **132,781** | **140,658** | **149,032** |
| **Expenditures:** | | | | | | |
| General government | 10,543 | 11,318 | 11,759 | 12,216 | 12,697 | 13,197 |
| Police | 43,206 | 46,195 | 48,013 | 50,062 | 52,197 | 54,436 |
| Fire | 24,908 | 26,809 | 27,876 | 29,077 | 30,326 | 31,638 |
| Community Preservation (DES) | 582 | 633 | 661 | 690 | 722 | 754 |
| Human Services | 2,612 | 2,896 | 3,009 | 3,126 | 3,250 | 3,380 |
| Other Non-Departmental | 1,329 | 2,420 | 2,555 | 2,465 | 2,590 | 2,490 |
| Less: Citywide Savings | - | (1,000) | (1,000) | (1,000) | (1,000) | (1,000) |
| TRANs (debt) costs | 150 | 150 | 150 | 150 | 150 | 150 |
| **Total Expenditures** | **83,330** | **89,421** | **93,023** | **96,786** | **100,932** | **105,045** |
| **Operating Transfers Out:** | | | | | | |
| Integrated Capital Assets Plan Projects | 1,000 | 1,250 | 1,250 | 1,000 | 1,000 | 1,000 |
| Downtown Plan | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| General Fund Transfer to Maintenance | 18,597 | 18,979 | 19,738 | 20,528 | 21,349 | 22,203 |
| Debt | 3,806 | 6,091 | 7,064 | 7,094 | 7,245 | 7,245 |
| Cost Center Allocations | 5,079 | 4,010 | 5,096 | 5,300 | 5,512 | 5,732 |
| Other | 1,813 | 50 | 50 | 50 | 50 | 50 |
| Transfers to Reserves | 4,517 | 866 | 964 | 673 | 799 | 778 |
| **Total Operating Transfers Out** | **35,812** | **32,246** | **35,162** | **35,645** | **36,955** | **38,008** |
| **Resources Used: (Expenditures plus Operating Transfers Out)** | **119,142** | **121,667** | **128,185** | **132,431** | **137,887** | **143,053** |
| **Net Results of Operations: (Resources Available less Resources Used)** | **(7,716)** | **(5,993)** | **(2,809)** | **350** | **2,771** | **5,979** |
| **Use of Budget Uncertainty Reserve** | | **3,222** | **2,809** | | | |
| **Beginning Fund Balance: (Ending Fund Balance from the Prior Year)** | **10,487** | **2,771** | **-** | **-** | **350** | **3,121** |
| **Ending Fund Balance** | **$ 2,771** | **$ -** | **$ -** | **$ 350** | **$ 3,121** | **$ 9,100** |

# Operating Transfers Detail for the General Fund



| Transfers In | Estimated FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 | FY 08/09 | FY 09/10 |
|---|---|---|---|---|---|---|
| **Overhead Transfers In From Other Funds:** | | | | | | |
| Overhead charges to Development (Funds 011, 012, 013) | 1,570 | 1,904 | 1,980 | 2,059 | 2,141 | 2,227 |
| Overhead charges to Environmental (Fund 115,123) | 296 | 394 | 410 | 426 | 443 | 461 |
| Overhead charges to Paratransit (Fund 151, 164) | 18 | 18 | 19 | 20 | 21 | 22 |
| Human Services Overhead to Grants | 75 | 55 | 57 | 59 | 61 | 63 |
| Overhead charges to Recreation (Fund 189) | 663 | 658 | 684 | 711 | 739 | 769 |
| Overhead charges to ICAP (Fund 500) | 2,335 | 2,514 | 2,615 | 2,720 | 2,829 | 2,942 |
| Overhead amounts to INFO SYS (Fund 620) | 458 | 489 | 509 | 529 | 550 | 572 |
| Overhead charges to LLMD's (Fund 460) | 5 | 5 | 5 | 5 | 5 | 5 |
| Overhead charges to Multifamily Housing (Fund 191) | 28 | 32 | 33 | 34 | 35 | 36 |
| Overhead charges to Low & Moderate Housing (Fund 911) | 104 | 107 | 111 | 115 | 120 | 125 |
| Overhead from RDA (Fund 950) | 224 | 202 | 210 | 218 | 227 | 236 |
| **Sub-total Recurring Transfers In from Other Funds** | **$ 5,776** | **$ 6,378** | **$ 6,633** | **$ 6,896** | **$ 7,171** | **$ 7,458** |
| **Miscellaneous Transfers In:** | | | | | | |
| Impact fee reimbursement | 900 | 950 | 950 | 950 | 950 | 950 |
| **TOTAL OPERATING TRANSFERS IN** | **$ 6,676** | **$ 7,328** | **$ 7,583** | **$ 7,846** | **$ 8,121** | **$ 8,408** |
| **Use of Budget Uncertainty Reserve** | - | 3,222 | 2,809 | - | - | - |
| **TOTAL TRANSFERS IN** | **$ 6,676** | **$ 10,550** | **$ 10,392** | **$ 7,846** | **$ 8,121** | **$ 8,408** |

| Transfers Out | Estimated FY 04/05 | FY 05/06 | FY 06/07 | FY 07/08 | FY 08/09 | FY 09/10 |
|---|---|---|---|---|---|---|
| **Transfers to the CIP:** | | | | | | |
| Contribution to Maintenance | 18,597 | 18,979 | 19,738 | 20,528 | 21,349 | 22,203 |
| Contribution to Other CIP Projects | 1,000 | 1,250 | 1,250 | 1,000 | 1,000 | 1,000 |
| Downtown Plan | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| **Sub-total - Transfers for the ICAP** | **$ 20,597** | **$ 21,229** | **$ 21,988** | **$ 22,528** | **$ 23,349** | **$ 24,203** |
| **Transfers for Debt Service:** | | | | | | |
| 1990 COP 39550 Liberty Street & Fire Vehicles | 375 | 441 | 458 | 474 | 489 | 489 |
| 1991 COP Fire | 150 | 196 | 193 | 191 | 286 | 286 |
| 1998 COP Police Building | 1,324 | 1,320 | 1,319 | 1,326 | 1,318 | 1,318 |
| 2001 COP Liberty/Capitol, Fire Land, City Hall | 1,125 | 1,526 | 1,542 | 1,556 | 1,574 | 1,574 |
| 2001 COP (B) Liberty/Capitol, Fire Trucks | 460 | 564 | 571 | 557 | 582 | 582 |
| 2002 COP Corporation Yard & Fire Station #11 **(1)** | 1,735 | 1,734 | 1,737 | 1,742 | 1,747 | 1,747 |
| **Less: Fire Station #11 remaining proceeds** | (1,735) | (933) | - | - | - | - |
| 2003 COP Refunding **(2), (3)** | 372 | 1,243 | 1,244 | 1,248 | 1,249 | 1,249 |
| **Sub-total - Debt Service & Future Bond Issues** | **$ 3,806** | **$ 6,091** | **$ 7,064** | **$ 7,094** | **$ 7,245** | **$ 7,245** |
| **Cost Center Allocations:** | | | | | | |
| DES Cost Center | 2,381 | 1,752 | 2,342 | 2,436 | 2,533 | 2,634 |
| Recreation Cost Center | 2,441 | 2,006 | 2,492 | 2,592 | 2,696 | 2,804 |
| Senior Center Cost Center | 257 | 252 | 262 | 272 | 283 | 294 |
| **Sub-total - Cost Center Allocations** | **$ 5,079** | **$ 4,010** | **$ 5,096** | **$ 5,300** | **$ 5,512** | **$ 5,732** |
| **Other Transfers from the GF:** | | | | | | |
| Other transfers (SACNET $50k) | 50 | 50 | 50 | 50 | 50 | 50 |
| Misc. Other Transfers | 1,763 | - | | | | |
| **Sub-total - Other Transfers** | **$ 1,813** | **$ 50** | **$ 50** | **$ 50** | **$ 50** | **$ 50** |
| **Transfers from the GF to Reserves:** | | | | | | |
| Transfer to Catastrophic Reserve | 1,039 | 722 | 803 | 561 | 666 | 648 |
| Transfer to Program Investment Reserve | 208 | 144 | 161 | 112 | 133 | 130 |
| Transfer to Short Term Budget Uncertainty Reserve | 3,270 | - | - | - | - | - |
| **Total Transfers to Reserves** | **$ 4,517** | **$ 866** | **$ 964** | **$ 673** | **$ 799** | **$ 778** |
| **Total Operating Transfers Out** | **$ 35,812** | **$ 32,246** | **$ 35,162** | **$ 35,645** | **$ 36,955** | **$ 38,008** |

| General Fund Historical and Recommended Budget 2005/06 | | | | | | |
|---|---|---|---|---|---|---|
| (Thousands of Dollars) | FY 00/01 Actual | FY 01/02 Actual | FY 02/03 Actual | FY 03/04 Actual | FY 04/05 Estimated Actual | FY 05/06 Budget |
| **Revenues:** | | | | | | |
| **Intergovernmental:** | | | | | | |
| Property Taxes | $ 30,473 | $ 31,516 | $ 33,037 | $ 35,264 | $ 37,000 | $ 39,239 |
| State ERAF III Revenue loss | - | - | - | - | (2,730) | (2,730) |
| In-lieu VLF | - | - | - | - | 11,160 | 11,948 |
| In-lieu Sales Tax | - | - | - | - | 6,000 | 7,038 |
| Sales & Use Taxes | 33,159 | 29,196 | 28,203 | 26,796 | 21,300 | 22,374 |
| Vehicle License Fees | 10,917 | 11,568 | 12,014 | 9,542 | 1,600 | 1,713 |
| Other Intergovernmental | 1,516 | 1,056 | 804 | 734 | 750 | 766 |
| Business Taxes | 5,467 | 5,931 | 5,955 | 5,324 | 6,000 | 6,302 |
| Hotel/Motel Taxes | 4,340 | 2,175 | 1,799 | 1,831 | 2,000 | 2,121 |
| Property Transfer Taxes | 1,451 | 986 | 1,097 | 1,550 | 1,900 | 2,207 |
| Franchise Fees | 6,540 | 7,467 | 6,873 | 7,004 | 7,200 | 7,563 |
| Charges for Services | 2,753 | 2,362 | 2,748 | 3,185 | 3,200 | 3,394 |
| Fines | 1,752 | 2,161 | 2,499 | 2,783 | 2,900 | 3,046 |
| Investment Earnings | 3,598 | 2,724 | 1,496 | 1,270 | 1,300 | 1,366 |
| Paramedic Fees | 1,392 | 1,001 | 938 | 1,020 | 1,100 | 1,167 |
| Other Revenues | 5,513 | 888 | 867 | 1,291 | 800 | 832 |
| VLF Loan | - | - | - | - | 3,270 | - |
| **Total Revenues** | **108,871** | **99,031** | **98,330** | **97,594** | **104,750** | **108,346** |
| **Total Operating Transfers In** | **6,117** | **6,810** | **8,858** | **6,725** | **6,676** | **7,328** |
| **Resources Available: Revenues plus Operating Transfers In** | **114,988** | **105,841** | **107,188** | **104,319** | **111,426** | **115,674** |
| **Expenditures:** | | | | | | |
| General government | 9,705 | 10,775 | 10,503 | 9,708 | 10,543 | 11,318 |
| Police | 33,539 | 37,813 | 36,461 | 37,632 | 43,206 | 46,195 |
| Fire | 20,208 | 24,613 | 22,406 | 22,701 | 24,908 | 26,809 |
| Community Preservation (DES) | 545 | 645 | 728 | 593 | 582 | 633 |
| Human Services | 2,381 | 2,626 | 2,867 | 2,438 | 2,612 | 2,896 |
| Other Non-Departmental | 2,061 | 1,662 | 1,648 | 1,127 | 1,329 | 2,420 |
| Less: Citywide savings | - | - | - | - | - | (1,000) |
| TRANs (debt) costs | 450 | 308 | - | 151 | 150 | 150 |
| **Total Expenditures** | **68,889** | **78,442** | **74,613** | **74,350** | **83,330** | **89,421** |
| **Total Operating Transfers Out** | **32,004** | **45,953** | **33,207** | **26,288** | **35,812** | **32,246** |
| **Resources Used: (Expenditures plus Operating Transfers Out)** | **100,893** | **124,395** | **107,820** | **100,638** | **119,142** | **121,667** |
| **Net Results of Operations: (Resources Available less Resources Used)** | **14,095** | **(18,554)** | **(632)** | **3,681** | **(7,716)** | **(5,993)** |
| Change in Encumbrance Reserve | (1,723) | - | (368) | (563) | - | - |
| Prior Period Adjustment to Fund Balance (GASB 34) | | 3,895 | | | | |

# Other Funds

For budget purposes, the City's funds are grouped into five categories:

- General
- Cost Center/Internal Service
- Special Revenue
- Redevelopment
- Capital

The first three groups are the City's primary operating funds, and the last two are special classes of funds used mostly for capital investments. Funding for most City operations comes from the first three groups. The following section provides an overview of the City's Cost Centers, Internal Service, Special Revenue, Redevelopment and Capital funds. Detailed information about the General Fund is available under the General Fund section of this document.


*Entrance to City Hall*

## Summary of All Funds

| (Thousands of Dollars) | Total General Fund | Cost Center/ Internal Service Funds | Special Revenue Funds | RDA Funds | Capital Funds | Total All Funds |
|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 31,201** | **$ 9,929** | **$ 15,497** | **$ 90,761** | **$ 17,032** | **$ 164,420** |
| **Revenues** | | | | | | |
| **Intergovernmental:** | | | | | | |
| Property Taxes | 39,239 | - | - | 29,553 | - | 68,792 |
| State ERAF III Revenue loss | (2,730) | - | - | (2,316) | - | (5,046) |
| In-lieu VLF | 11,948 | - | - | - | - | 11,948 |
| In-lieu Sales Tax | 7,038 | - | - | - | - | 7,038 |
| Sales & Use Taxes | 22,374 | - | 709 | - | - | 23,083 |
| Vehicle License Fees | 1,713 | - | - | - | - | 1,713 |
| Other Intergovernmental | 766 | 53 | 6,188 | - | 5,485 | 12,492 |
| Business Taxes | 6,302 | - | - | - | - | 6,302 |
| Hotel/Motel Taxes | 2,121 | - | - | - | - | 2,121 |
| Property Transfer Taxes | 2,207 | - | - | - | - | 2,207 |
| Franchise Fees | 7,563 | - | - | - | - | 7,563 |
| Charges for Services | 3,394 | 18,995 | 6,922 | - | 2,400 | 31,711 |
| Fines | 3,046 | - | - | - | - | 3,046 |
| Investment Earnings | 1,366 | 300 | 50 | 1,750 | 1,821 | 5,287 |
| Paramedic Fees | 1,167 | - | - | - | - | 1,167 |
| Sale of Bonds | - | - | - | - | - | - |
| Other Revenues | 832 | 260 | 428 | 5,075 | 2,355 | 8,950 |
| **Total Revenues** | **108,346** | **19,608** | **14,297** | **34,062** | **12,061** | **188,374** |
| Total Transfers In | 7,328 | 4,010 | 185 | - | 28,689 | 40,212 |
| **Total Available Resources** | **146,875** | **33,547** | **29,979** | **124,823** | **57,782** | **393,006** |
| **Expenditures** | | | | | | |
| General Government | 11,318 | - | - | - | - | 11,318 |
| Public Safety: | | | | | | |
| Police | 46,195 | - | 1,099 | - | - | 47,294 |
| Fire | 26,809 | - | 334 | - | - | 27,143 |
| Development & Environmental Services: | | | | | | |
| Planning | - | 3,343 | - | - | - | 3,343 |
| Building & Safety | - | 4,667 | - | - | - | 4,667 |
| Engineering | - | 7,608 | - | - | - | 7,608 |
| Community Preservation | 633 | - | - | - | - | 633 |
| Environmental Services | - | - | 6,021 | - | - | 6,021 |
| Human Services | 2,896 | 708 | 6,482 | - | - | 10,086 |
| Maintenance | - | - | - | - | 21,235 | 21,235 |
| Recreation | - | 5,501 | - | - | - | 5,501 |
| Housing and Redevelopment | - | - | 258 | 68,735 | - | 68,993 |
| Non-departmental | 2,420 | 50 | - | - | 3,660 | 6,130 |
| Less: Citywide Savings | (1,000) | | | | | (1,000) |
| Debt costs | 150 | - | 461 | 7,500 | 6,091 | 14,202 |
| **Total Expenditures** | **89,421** | **21,877** | **14,655** | **76,235** | **30,986** | **233,174** |
| Total Transfers Out | 31,380 | 3,051 | 853 | 309 | 4,619 | 40,212 |
| **Total Use of Resources** | **120,801** | **24,928** | **15,508** | **76,544** | **35,605** | **273,386** |
| **Fund Balance - 6/30/06 (est.)** | **$ 26,074** | **$ 8,619** | **$ 14,471** | **$ 48,279** | **$ 22,177** | **$ 119,620** |

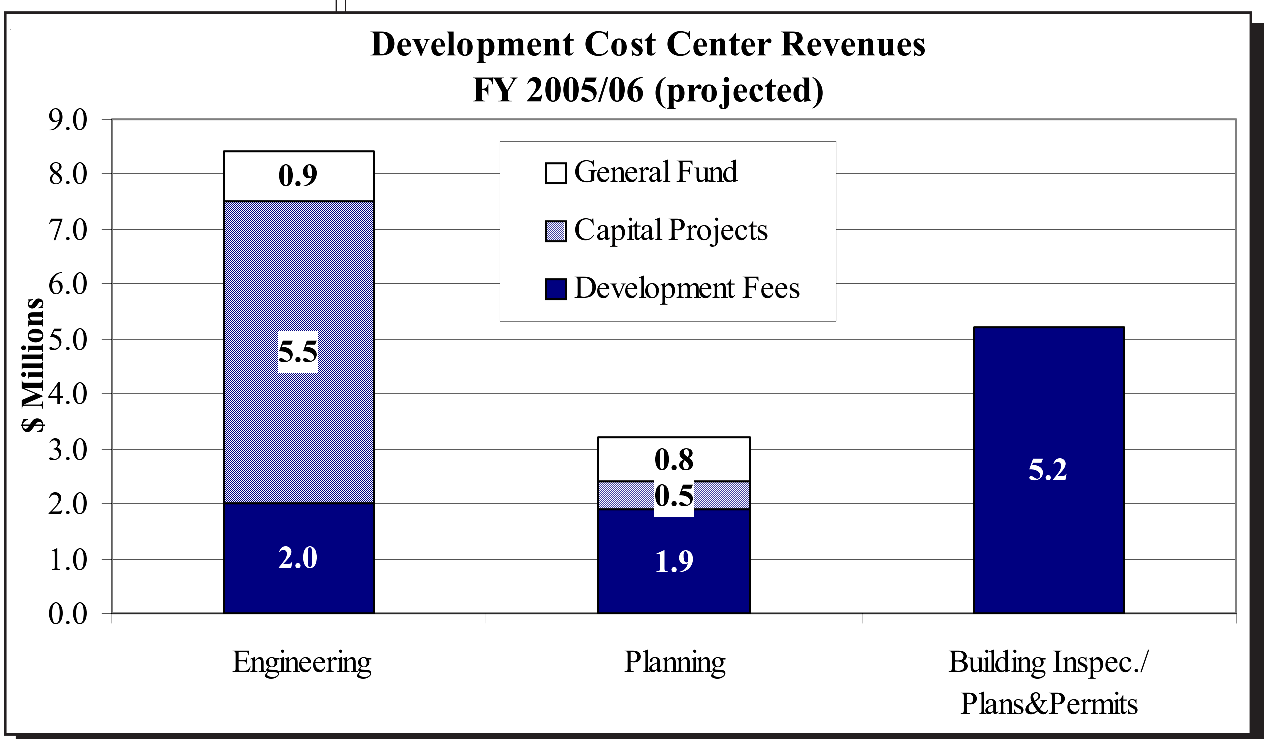
**Note:** Some internal charges between funds are classified as either transfers or expenditures to clarify departmental budget resources and appropriations. This results in minor differences between the individual departmental budgets and amounts shown in the Summary of All Funds schedule above.

The City uses cost centers to account for City activities that are fee based. These funds receive revenues from outside users as well as internal City projects. The cost centers are intended to maintain fund balances from year to year to provide flexibility to respond to revenue decreases or unexpected costs.

The City uses internal service funds to account for certain services that are provided to the City's operating departments.

**Development Services Cost Center**

The Development Services Cost Center is comprised of three functional areas: Planning, Engineering, and Building and Safety. The cost center budget relies on a combination of development fees, charges to capital projects, and a transfer from the General Fund to pay for work performed that benefits the community in general. Each section relies on a different mixture of these revenues, and each has therefore fared differently, given recent economic conditions.




The Planning and Engineering Divisions both earn General Fund revenues for services for the part of their work program that benefits the community generally. The General Fund transferred $2.4 million to the cost center in FY 2004/05, a 4% increase from FY 2003/04. In FY 2005/06, the General Fund allocation will be reduced by $500,000 as a one-time savings measure for the General Fund. (This is in addition to the 5% ongoing reduction required of all non-public safety departments for FY 2005/06.) As a result of this one-time reduction, the Department will need to use fund balance to maintain services and offset the revenue loss. As this is a one-time occurrence, the Department is not proposing any further service reductions above and beyond those implemented during FY 2003/04, reduced Permit Center hours and delayed responses to traffic service requests.

The General Fund allocation pays for work performed by Planning and Engineering for that part of the work that benefits the community in general. This work generally includes updating and maintaining the City's General Plan, responding to traffic service requests, managing the City's real property, providing general customer service not associated with a project, and responding to City Council referrals. The Department has not seen a decrease in these General Fund work program elements to correspond with the decrease in the General Fund allocation intended to support them. The Department must use its fund balance in FY 2005/06 to continue to provide these needed services.

Both Planning and Engineering have seen a modest recovery in development activity, resulting in slightly higher projected levels of development revenues and work for FY 2005/06. The City's Capital Improvement Program is also maintaining a steady workload for the Engineering Division.

Similar to Planning and Engineering, the Building and Safety Division is seeing a modest recovery in development activity, leading to higher projected development fee revenues in FY 2005/06. The Division has also seen higher revenue levels resulting from the implementation of a 15% building permit fee increase in July 2004. With this revenue, the Division will be hiring temporary staff during the next fiscal year in an effort to meet the increased demands of renewed construction activity.

During the mid 1990s, development activity in Fremont was thriving. As a hedge against the cyclical nature of the economy, the Development Services Cost Center accumulated a fund balance intended to pay for technology and capital needs, and to preserve staffing continuity through downturns. Maintaining a base level of staff enables the City to respond effectively when development activity returns. At the end of FY 2004/05, the fund balance is projected to be $3.6 million. During FY 2005/06, the cost center is projected to consume approximately $600,000 in fund balance as a result of the one-time reduction to the General Fund allocation. The cost center's resources will also be used to pay for updating the City's General Plan; $700,000 will be used for this purpose in FY 2005/06, with $800,000 planned for FY 2006/07.

**Recreation Cost Center**

The Recreation Cost Center provides services to the public using both General Fund contributions and user fees. Using an enterprise business model in which programs are funded only if they are able to pay for themselves through fees, the Recreation Division successfully delivers programs and activities each year for citizens of all ages. In FY 2005/06, the cost center expects to earn 64% of its $5.9 million total revenue from program and user fees, 34% from General Fund support, and 2% from interest on the cost center fund balance.

General Fund support has enabled the cost center to provide low to no-cost services such as Central Park operations, teen services, and community centers. When the City reduced the General Fund budget in FY 2003/04, it also reduced the General Fund contribution to the Recreation cost center by 23%. For FY 2005/06, the General Fund contribution will be reduced by an additional 14%, consisting of a one-time reduction of $500,000 and the ongoing 5% reduction required of all non-public safety departments. Because the $500,000 reduction is planned for only one year, the effect of these lost resources can be absorbed by the Recreation Services cost center fund balance without immediate service reductions.

Cost projections for General Fund services provided by the cost center, which are driven by costs related to staffing, are outpacing projections for future General Fund support. As a result, service reductions implemented with the FY 2003/04 budget, such as reduced park ranger service in Central Park, will remain in place through FY 2005/06. In addition to the previous service cuts, further reductions will be implemented in the Teen Services program through the elimination of one Teen Program Coordinator position. Losing this position will mean the elimination of the Teen Multicultural Festival, several teen scholarships, and several teen liaison functions.

As a result of the sluggish economy over the past few years, escalating personnel costs, and the fact that the existing recreation facilities are nearing capacity, the cost center is facing a structural imbalance between revenues and expenditures beginning in FY 2005/06. In order to help correct the looming fiscal imbalance, the City is pursuing the construction of a new Family Water Play Facility in Central Park to take the place of the closed swim lagoon. This facility is an investment that is expected to provide a new revenue stream that can help ensure the long-term sustainability of the Recreation Cost Center without an increase in General Fund support. This project remains viable with the planned use of a portion of the Recreation Services Cost Center fund balance, State Proposition 12 and Proposition 40 funding, and a grant from the Candlelighters community service organization.

Careful management of the enterprise model for delivering recreation services since the early 1990s has enabled the cost center to accumulate a fund balance, projected to be $6.7 million during FY 2005/06. Program growth, interest on the fund balance, and salary savings have been the primary contributors to the growth in the fund balance. Most of the fund balance is earmarked for the Operating Improvement Reserve, which serves as a funding source to launch new revenue-generating projects, such as the family swim facility that will replace the swim lagoon in Central Park. The remaining fund balance serves as an economic contingency reserve to buffer operations from a fluctuating economy, program revenue shortfalls, and unforeseen major interruption of services.

Similar to other operations, the long-term sustainability of the Recreation Services Cost Center is threatened by economic uncertainty. The business model is based on the premise that fees paid by program participants should cover the cost of providing the programs. The sluggish economy has hampered individuals' discretionary income and the cost center's ability to increase user fees to cover increasing costs. This constraint, combined with dim prospects for significant General Fund increases and the plan to spend most of the fund balance, may jeopardize the cost center's ability to continue as it is currently structured. Long-term sustainability in the face of current cost projections is dependent on the following: 1) the redesigned swim lagoon is constructed and meets modest projections for financial return; 2) the economy strengthens, providing at least modest capacity for market-based program fees to keep pace with program costs; and 3) General Fund service interests are re-evaluated, with the goal of matching the amount of General Fund support with the highest-priority community recreation services that cannot necessarily pay for themselves with fee revenue.

**Senior Center Cost Center**

This cost center accounts for revenues and expenditures for programs administered by the Senior Center. In FY 2005/06, costs are projected to exceed ongoing revenues by $77,000, which will reduce the cost center's fund balance to $300,000.

Until FY 2002/03, the General Fund made an annual payment to the cost center equivalent to the staffing costs for four "core" positions. The Senior Center supplemented the General Fund contribution through facility rentals, meal fees, and donations. Under this model, the Senior Center Cost Center was able to fully cover operating costs and build up an operating reserve. However, with the City's budget reductions in FY 2002/03, this connection between staffing costs and General Fund support was severed. While salary and benefit costs have increased substantially since FY 2002/03, General Fund support has been reduced 14%, from $294,000 in FY 2002/03 to $252,000 in FY 2005/06.

Staff has responded with a combination of fee increases, service reductions, fundraising, and use of reserves. On the revenue side, the Senior Center has increased the charge to seniors for lunch and has instituted an annual membership fee. The Human Services Department organized major fundraising events in May 2004 and May 2005 that together generated approximately $100,000 in donations for the Senior Center. Service reductions include the elimination of the dinner program and reduced hours of staff availability to the public.

In FY 2005/06, staff has secured approximately $25,000 in new outside funding support for the Senior Center ($10,000 in a new grant from Alameda County, and almost $15,000 in federal CDBG funds). Even with these new funds, however, staff anticipates that the Senior Center will will continue to face budgetary challenges in the future. Staff believes that meal, rental, and membership fees cannot be raised further if the Senior Center is to remain competitive in the marketplace. Staff will explore other options for additional funding and possible service reductions over the next year.

**Risk Management Internal Service Fund**

This fund accounts for the City's uninsured risks of loss from vehicle and property damage, earthquakes and floods, workers' compensation, general liability, and unemployment claims. Administrative costs, including coverage through the City's membership in the California Joint Powers Risk Management Authority and the Local Agency Workers' Compensation Excess Joint Powers Authority, are also accounted for in this fund. Resources for this fund are provided through charges to the departments and other funds that receive these services.

Risk management cost projections are based, in large part, on actuarial projections of workers' compensation and general liability claims activity. The cost of claims has increased in recent years, but is expected to stabilize as a result of recent State legislation and a more aggressive approach to resolving outstanding claims. Given the variability in actual costs the City has experienced recently, the City is adopting a budget for this fund that shows that costs could exceed resources in the fund. We will have more information about risk management activities at the completion of the FY 2004/05 annual audit. Additional resources will be transferred from other funds during FY 2005/06 if emerging information about claims activity suggests additional resources are necessary.

**Information Systems Internal Service Fund**

This fund accounts for the City's information systems support and technology activity. Resources for this fund are provided through charges to the departments and special revenue fund operations that receive these services. As reductions in General Fund support have reduced all departments' budgets, the charges paid for information systems services have been similarly reduced. Despite reduced resources, the Information Systems Department has attempted to preserve previous levels of support to the organization, support technology solutions implemented by operating departments to achieve new service efficiencies, and continue computer replacement to ensure that employees have the equipment they need to perform their work. Projections for this internal service fund suggest that costs will exceed resources in FY 2005/06. The City will take action during the year, either in the form of cost reductions or additional transfers from other funds, to ensure that the fund balance is not negative at the end of the year.

## Cost Centers/Internal Service

| (Thousands of Dollars) | Development Cost Center | Recreation Cost Center | Senior Center | Internal Service: Risk Management | Internal Service: Information Systems | Internal Service Reclass* | Total Proprietary |
|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 3,630** | **$ 6,699** | **$ 376** | **$ (706)** | **$ (70)** | **$ -** | **$ 9,929** |
| **Revenues** | | | | | | | |
| **Intergovernmental:** | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - |
| State ERAF III Revenue loss | - | | - | | - | | |
| In-lieu VLF | - | | - | | - | | |
| In-lieu Sales Tax | - | | - | | - | | |
| Sales & Use Taxes | - | - | - | - | - | - | - |
| Vehicle License Fees | - | - | - | - | - | - | - |
| Other Intergovernmental | - | - | 53 | - | - | - | 53 |
| Business Taxes | - | - | - | - | - | - | - |
| Hotel/Motel Taxes | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - |
| Charges for Services | 15,087 | 3,737 | 171 | 5,861 | 3,767 | (9,628) | 18,995 |
| Fines | - | - | - | - | - | - | - |
| Investment Earnings | 114 | 100 | - | 85 | 1 | - | 300 |
| Paramedic Fees | - | - | - | - | - | - | - |
| Sale of Bonds | - | - | - | - | - | - | - |
| Other Revenues | - | 20 | 155 | 60 | 25 | - | 260 |
| **Total Revenues** | **15,201** | **3,857** | **379** | **6,006** | **3,793** | **(9,628)** | **19,608** |
| Total Transfers In | 1,752 | 2,006 | 252 | - | - | - | 4,010 |
| **Total Available Resources** | **20,583** | **12,562** | **1,007** | **5,300** | **3,723** | **(9,628)** | **33,547** |
| **Expenditures** | | | | | | | |
| General Government | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | |
| Police | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | - | - |
| Development & Environmental Services: | | | | | | | |
| Planning | 3,343 | - | - | - | - | - | 3,343 |
| Building & Safety | 4,667 | - | - | - | - | - | 4,667 |
| Engineering | 7,608 | - | - | - | - | - | 7,608 |
| Community Preservation | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | - |
| Human Services | - | - | 708 | - | - | - | 708 |
| Maintenance | - | - | - | - | - | - | - |
| Recreation | - | 5,501 | - | - | - | - | 5,501 |
| Housing and Redevelopment | - | - | - | - | - | - | - |
| Non-departmental | - | - | - | 5,861 | 3,817 | (9,628) | 50 |
| Less: Citywide Savings | | | | | | | - |
| Debt costs | - | - | - | - | - | - | - |
| **Total Expenditures** | **15,618** | **5,501** | **708** | **5,861** | **3,817** | **(9,628)** | **21,877** |
| Total Transfers Out | 1,904 | 658 | - | - | 489 | - | 3,051 |
| **Total Use of Resources** | **17,522** | **6,159** | **708** | **5,861** | **4,306** | **(9,628)** | **24,928** |
| | | | | | | | |
| **Fund Balance - 6/30/06 (est.)** | **$ 3,061** | **$ 6,403** | **$ 299** | **$ (561)** | **$ (583)** | **$ -** | **$ 8,619** |

*** NOTE:** The "Charges for Services" and "Non Departmental Expenditures" in the Risk Management and Information Systems Funds have been reclassed and are not part of the Cost Center/Internal Service Funds total because these amounts are included in other departments' budgets.

## Cost Centers/Internal Service

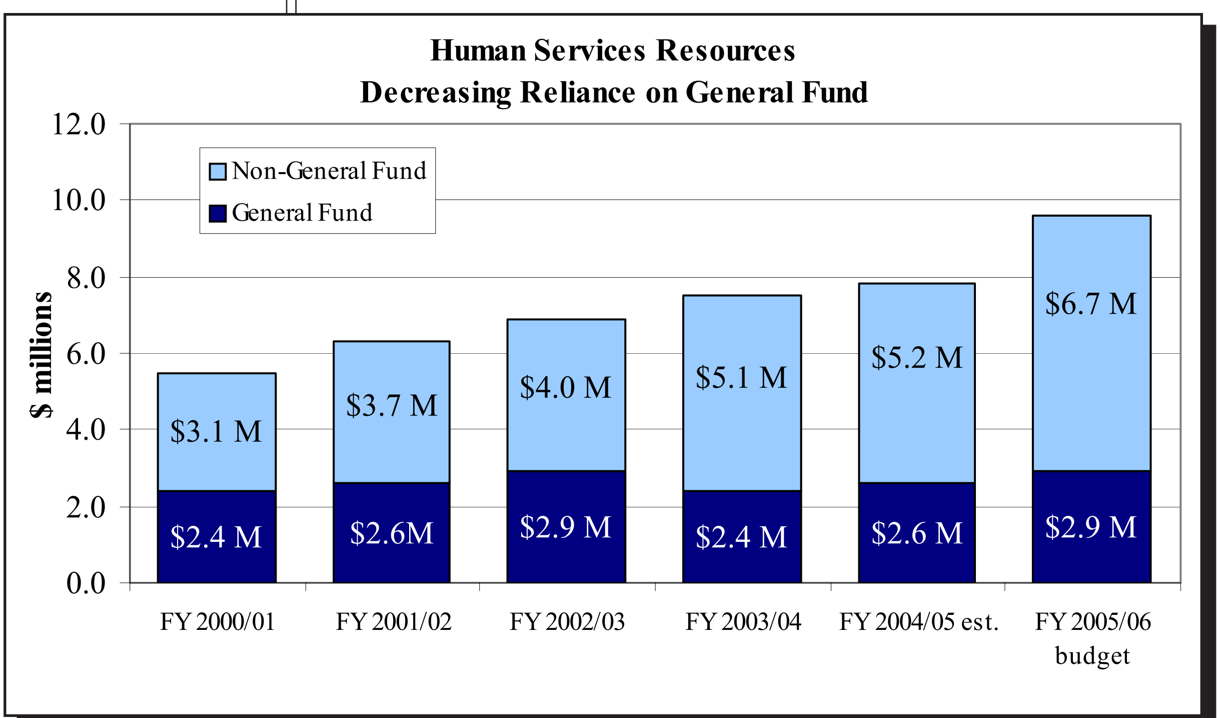
| (Thousands of Dollars) | Actuals 03/04 | Budget 04/05 | Budget 05/06 |
|---|---|---|---|
| **Beginning Fund Balance** | **$ 15,508** | **$ 11,308** | **$ 9,929** |
| **Revenues** | | | |
| **Intergovernmental:** | | | |
| Property Taxes | - | - | - |
| State ERAF III Revenue loss | - | - | - |
| In-lieu VLF | - | - | - |
| In-lieu Sales Tax | - | - | - |
| Sales & Use Taxes | - | - | - |
| Vehicle License Fees | - | - | - |
| Other Intergovernmental | 72 | 53 | 53 |
| Business Taxes | - | - | - |
| Hotel/Motel Taxes | - | - | - |
| Property Transfer Taxes | - | - | - |
| Franchise Fees | - | - | - |
| Charges for Services | 15,518 | 17,067 | 18,995 |
| Fines | - | - | - |
| Investment Earnings | 151 | 266 | 300 |
| Paramedic Fees | - | - | - |
| Sale of Bonds | - | - | - |
| Other Revenues | 324 | 202 | 260 |
| **Total Revenues** | **16,065** | **17,588** | **19,608** |
| Operating Transfers In | 4,984 | 4,959 | 4,010 |
| **Total Available Resources** | **36,557** | **33,855** | **33,547** |
| **Expenditures** | | | |
| General Government | - | - | - |
| Public Safety: | | | |
| Police | - | - | - |
| Fire | - | - | - |
| Development & Environmental Services: | | | |
| Planning | 2,564 | 2,788 | 3,343 |
| Building & Safety | 3,745 | 4,201 | 4,667 |
| Engineering | 5,988 | 6,839 | 7,608 |
| Community Preservation | - | - | - |
| Environmental Services | - | - | - |
| Human Services | 536 | 672 | 708 |
| Maintenance | - | - | - |
| Recreation | 5,278 | 5,403 | 5,501 |
| Housing and Redevelopment | - | - | - |
| Non-departmental | 2,811 | 1,268 | 43 |
| Less: Citywide Savings | - | - | - |
| Debt costs | - | - | - |
| **Total Expenditures** | **20,922** | **21,171** | **21,870** |
| Operating Transfers Out | 2,630 | 2,795 | 3,058 |
| Transfers to Reserves | - | - | - |
| **Total Use of Resources** | **23,552** | **23,966** | **24,928** |
| | | | |
| **Ending Fund Balance** | **$ 13,005** | **$ 9,889** | **$ 8,619** |

Special revenue funds account for activities funded by special-purpose revenues. Many of these funds have grant-based revenues, which must be spent according to specific requirements. These revenues are not available for other General Fund purposes, such as public safety or maintenance. Most of the federal, State, and County grants the City administers are in this group of funds.

### Human Services

The Human Services Department relies on General Fund support, grants, charges for service, and rents at the Family Resource Center to provide a wide range of services to families and seniors. Non-General Fund sources, featured in this section, comprise 70% of total department revenues in FY 2005/06. The table on page 101 displays the budget for non-General Fund resources supporting all human services. For information on the total budget for Human Services, including General Fund resources, please see page 145 of the budget.

In response to decreased General Fund support in recent years, the Human Services Department has preserved services by aggressively pursuing additional external revenues, such as grants, fees, contracts, and insurance reimbursements for services. The chart below shows the growth in non-General Fund revenues, compared with levels of General Fund support in recent years. Given the relatively constant General Fund support over time, successful pursuit of non-General Fund resources has been critical for continuing services and maintaining staffing levels.



### Grants

The City receives grants from a number of different sources for human service activities:

- Alameda County and Union City: grants to provide services to elders in Fremont and the Tri-City area.
- Alameda County: Probation Department funds for Youth and Family Counseling; funds services to divert at-risk youth from the criminal justice system.
- Alameda County: Department of Behavioral Health funds to support a multi-disciplinary team approach to family support at the Fremont Family Resource Center.
- State Medi-Cal reimbursement: funds received through reimbursement for counseling and support services provided to youth and seniors.
- Proposition 10 (tobacco taxes): monies allocated by the County to support early childhood programs in Youth and Family Services.
- Robert Wood Johnson Foundation: funding for planning senior services.
- State Department on Aging: funds for the Multipurpose Senior Services Program (funded by the State using State and federal dollars) to provide services aimed at allowing frail elders to remain in their homes.

Grant funding is projected to increase from $1.8 million in FY 2004/05 to $2.0 million for FY 2005/06. The increase is attributable to expanded Medi-Cal reimbursement for service referrals to families and seniors.

### Paratransit

This fund accounts for the monies used to fund the City's paratransit program. Under Measure B, the City receives the proceeds of an additional half-cent sales tax for use on transportation-related activities such as the paratransit program. Funding for paratransit services is projected to decrease slightly in FY 2005/06, from $731,000 to $712,000.

### Family Resource Center Fund

This fund accounts for the revenues and expenses associated with the Fremont Family Resource Center (FRC). Rental payments by the various tenants of the FRC fund the salaries and benefits of the FRC staff and operating and capital expenditures at that facility. This fund also includes grants from private foundations to support programs at the FRC. For FY 2005/06, revenue is expected to remain virtually constant with FY 2004/05 levels. FY 2005/06 expenditures are budgeted to increase by $40,000, primarily because of increased transfers to the risk management fund related to higher claims costs.

## CDBG / HOME

- Community Development Block Grant - This fund accounts for the City's allocation of federal Community Development Block Grant (CDBG) funds received from the U. S. Department of Housing and Urban Development for the purpose of developing viable urban communities. Through the CDBG Program, the City receives an annual entitlement grant to address certain housing and community development needs. Federal regulations require that at least 70% of the City's CDBG grant must directly benefit low and moderate-income households, with each community tailoring its program to address specific local needs.
- HOME Grant – This fund accounts for monies received under the HOME Investment Partnership Act. HOME funds can be used to acquire, rehabilitate, finance and construct affordable housing.

The CDBG entitlement is $2 million for FY 2005/06. This is about $100,000 less than in FY 2004/05. The estimated actual expenditures for FY 2004/05 will be $800,000 less than the budgeted amount. This carryover is incorporated into the FY 2005/06 budget. Sub-recipients of the program are on a two-year funding cycle and, therefore, have two years to fulfill their obligations.

The estimated actual expenditures for the HOME grant are expected to be $300,000 in FY 2004/05. The FY 2005/06 budget is $600,000, which includes $300,000 for land acquisition. No land acquisition occurred in FY 2004/05.

Unfortunately, many of the City's grants are at-risk due to cutbacks by other levels of government. CDBG is the City's largest grant, yet President Bush has proposed to cut funding for the program substantially. As all levels of government reduce spending in response to decreasing revenues or rising costs, grant recipients face continuous threats of reduced or eliminated grant programs.

## Multi-Family Housing

This fund accounts for tax-exempt, multi-family housing, bond- monitoring fees paid to the City. These funds support several positions in the Office of Housing and Redevelopment. While revenue from these fees are projected to remain at the FY 2004/05 level, expenditures are increasing by 13% because of routine staffing cost increases.

**Public Safety Grants**

- Southern Alameda County Narcotics Enforcement Team (SACNET) - This fund accounts for the proceeds of assets forfeited as the result of drug activities and contributions from the cities of Fremont, Newark and Union City. The City of Fremont's contribution comes from the General Fund and is displayed as a "Transfer Out" on page 84.
- AB3229 - COPS Front Line Enforcement - These funds account for monies distributed by the County to be spent on front line law enforcement activities, including anti-gang and community crime prevention programs.
- Local Law Enforcement Block Grant - This fund accounts for monies received from the federal government and expended for criminal justice, crime or substance abuse prevention and treatment programs.
- Abandoned Vehicle Abatement - This fund accounts for monies received by the City under California Vehicle Code (CVC) Sections 9250.7 and 22710 and used for the abatement, removal and disposal as public nuisances of any abandoned, wrecked, dismantled or inoperative vehicles from private or public property.
- State Office of Traffic Safety Grant - This fund accounts for monies received from the State to provide funding for aggressive traffic enforcement and public relations for a countywide campaign against drinking drivers.

Grant revenues related to public safety services are projected to decrease by 5% from the level budgeted in FY 2004/05.

**Environmental Services**

- Integrated Waste Management - This fund accounts for monies received by the City from solid waste collection rates and used to comply with the provisions of AB 939 for the purpose of carrying out recycling, household hazardous waste and solid waste management programs. The current fund balance serves three purposes: (1) to support rate stabilization, (2) to implement interim garbage disposal measures in the event that the landfill closes before a new transfer station is operational, and (3) to cover transition costs associated with landfill closure.
- Urban Runoff Clean Water Program - This fund accounts for monies received to comply with the Federal Clean Water Act of 1987, which requires that storm water discharges from municipal storm drain systems be regulated under a nationwide surface water permit program. In order to obtain a permit, the City must implement programs to evaluate sources of pollutants in urban storm drain runoff, estimate pollutant loads, evaluate control measures, and implement a program of pollution controls.

Expenditures are budgeted to increase by 28%, from $5.0 million in FY 2004/05 to $6.4 million in FY 2005/06. The increase is attributable to reimbursement costs to the solid waste collector for expenses incurred complying with new regulations and increased refuse disposal expenses associated with shifting the current landfill to the new transfer station. The disposal expenses will be transferred to rate payers in two to four years.

## Special Revenue Funds

| (Thousands of Dollars) | Human Services: Grants | Human Services: Paratransit | Human Services: FRC | Human Services: CDBG/ HOME | Multi-Family Housing | Public Safety Grants | Environmental Services Funds | Total Special Revenues |
|---|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 322** | **$ 309** | **$ 3,259** | **$ -** | **$ 611** | **$ 593** | **$ 10,403** | **$ 15,497** |
| **Revenues** | | | | | | | | |
| **Intergovernmental:** | | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - | - |
| State ERAF III Revenue loss | - | - | - | - | - | - | - | - |
| In-lieu VLF | - | | - | - | - | - | - | - |
| In-lieu Sales Tax | - | - | - | - | - | - | - | - |
| Sales & Use Taxes | - | 709 | - | - | - | - | - | 709 |
| Vehicle License Fees | - | - | - | - | - | - | - | - |
| Other Intergovernmental | 1,369 | - | 172 | 2,856 | - | 1,348 | 443 | 6,188 |
| Business Taxes | - | - | - | - | - | - | - | - |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - | - |
| Charges for Services | 452 | - | 740 | - | - | - | 5,730 | 6,922 |
| Fines | - | - | | - | - | - | - | - |
| Investment Earnings | - | - | 50 | - | - | - | - | 50 |
| Paramedic Fees | - | - | - | - | - | - | - | - |
| Sale of Bonds | - | - | - | - | - | - | - | - |
| Other Revenues | 184 | 3 | 41 | 150 | 50 | - | - | 428 |
| **Total Revenues** | **2,005** | **712** | **1,003** | **3,006** | **50** | **1,348** | **6,173** | **14,297** |
| Total Transfers In | - | - | 135 | - | | 50 | - | 185 |
| **Total Available Resources** | **2,327** | **1,021** | **4,397** | **3,006** | **661** | **1,991** | **16,576** | **29,979** |
| **Expenditures** | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | |
| Police | - | - | - | - | - | 1,099 | - | 1,099 |
| Fire | - | - | - | - | - | 334 | - | 334 |
| Development & Environmental Services: | | | | | | | | |
| Planning | - | - | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - | - | - |
| Engineering | - | - | - | - | - | - | - | - |
| Community Preservation | - | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | 6,021 | 6,021 |
| Human Services | 2,020 | 916 | 578 | 2,968 | - | - | - | 6,482 |
| Maintenance | - | - | - | - | - | - | - | - |
| Recreation | - | - | - | - | - | - | - | - |
| Housing and Redevelopment | - | - | - | - | 258 | - | - | 258 |
| Non-departmental | - | - | - | - | - | - | - | - |
| Less: Citywide Savings | | | | | | | - | |
| Debt costs | - | - | 461 | - | - | - | | 461 |
| **Total Expenditures** | **2,020** | **916** | **1,039** | **2,968** | **258** | **1,433** | **6,021** | **14,655** |
| Total Transfers Out | 17 | 18 | 354 | 38 | 32 | - | 394 | 853 |
| **Total Use of Resources** | **2,037** | **934** | **1,393** | **3,006** | **290** | **1,433** | **6,415** | **15,508** |
| **Fund Balance - 6/30/06 (est.)** | **$ 290** | **$ 87** | **$ 3,004** | **$ -** | **$ 371** | **$ 558** | **$ 10,161** | **$ 14,471** |

## Special Revenue Funds

| (Thousands of Dollars) | Actuals 03/04 | Budget 04/05 | Budget 05/06 |
|---|---|---|---|
| **Beginning Fund Balance** | **16,081** | **14,109** | **15,497** |
| **Revenues** | | | |
| **Intergovernmental:** | | | |
| Property Taxes | - | - | - |
| State ERAF III Revenue loss | - | - | - |
| In-lieu VLF | - | - | - |
| In-lieu Sales Tax | - | - | - |
| Sales & Use Taxes | - | 714 | 709 |
| Vehicle License Fees | - | - | - |
| Other Intergovernmental | 5,678 | 6,343 | 6,188 |
| Business Taxes | - | - | - |
| Hotel/Motel Taxes | - | - | - |
| Property Transfer Taxes | - | - | - |
| Franchise Fees | - | - | - |
| Charges for Services | 6,419 | 7,124 | 6,922 |
| Fines | - | - | - |
| Investment Earnings | 39 | 63 | 50 |
| Paramedic Fees | - | - | - |
| Sale of Bonds | - | - | - |
| Other Revenues | 688 | 385 | 428 |
| **Total Revenues** | **12,824** | **14,629** | **14,297** |
| Operating Transfers In | 267 | 50 | 185 |
| **Total Available Resources** | **29,172** | **28,788** | **29,979** |
| **Expenditures** | | | |
| General Government | - | - | - |
| Public Safety: | | | |
| Police | - | 1,233 | 1,099 |
| Fire | 917 | 516 | 334 |
| Development & Environmental Services: | | | |
| Planning | - | - | - |
| Building & Safety | - | - | - |
| Engineering | - | - | - |
| Community Preservation | - | - | - |
| Environmental Services | 7,264 | 4,714 | 6,021 |
| Human Services | 5,420 | 6,390 | 6,498 |
| Maintenance | - | - | - |
| Recreation | - | - | - |
| Housing and Redevelopment | - | 228 | 246 |
| Non-departmental | - | - | - |
| Less: Citywide Savings | - | - | - |
| Debt costs | 60 | 511 | 461 |
| **Total Expenditures** | **13,661** | **13,592** | **14,659** |
| Operating Transfers Out | 940 | 645 | 849 |
| Transfers to Reserves | - | - | - |
| **Total Use of Resources** | **14,601** | **14,237** | **15,508** |
| **Ending Fund Balance** | **14,571** | **14,551** | **14,471** |

The Fremont Redevelopment Agency is a separate legal entity from the City of Fremont (the City Council serves as the Board of the Redevelopment Agency) responsible for implementing the adopted Redevelopment Plans in the Centerville, Irvington, Niles and Industrial redevelopment project areas. The City Manager is also the Executive Director of the Redevelopment Agency, and the Office of Housing and Redevelopment is the staff division responsible for managing the implementation of the Redevelopment Plans. Information on current Redevelopment Agency activities is available at www.fremont.gov/CityHall/Departments/.htm.

### Sources of Revenue

The Redevelopment Agency receives property tax increment revenue to fund its programs and projects. Property tax increment generally consists of the incremental property tax revenue that is paid in each of the project areas since the Redevelopment Plans were established. Twenty percent of the Redevelopment Agency's property tax increment revenue (Housing Set-Aside Revenues) is set aside to be exclusively used on affordable housing activities. The projection of FY 2005/06 revenue is conservative, anticipating an impact of assessed valuation appeals in the Industrial redevelopment project area.

The Redevelopment Agency has also issued bonds to support its activities. The debt service of these bonds is paid from and secured by property tax increment revenue.

### Uses of Revenue

Redevelopment Agency funds can only be used for eligible activities as outlined in California Redevelopment Law (CRL) in two primary categories: Affordable Housing activities and Redevelopment activities. The FY 2005/06 Redevelopment Agency budget reflects proposed expenditures in the following funds:

### Affordable Housing Fund

This section defines the FY 2005/06 budget authority for the use of Housing Set-Aside revenues. There are four funds for the Agency's affordable housing activities. Key elements of the Affordable Housing Operating Budget include debt service payments on the 2003 Affordable Housing Bond Issue, administrative expenses and projected capital expenditures on affordable housing projects. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described below.

### Redevelopment Operating Fund

This section defines the FY 2005/06 budget authority for the use of redevelopment (non-housing) revenues. The Redevelopment Agency operating budget includes a $2.3 million reduction in revenue due to a cy a shift of redevelopment agency property tax increment revenue (non-housing) as a component of the State's FY 2005/06 budget. Other key elements of the Redevelopment Operating budget include pass through payments to taxing agencies ($7.5 million), administrative expenses, and anticipated expenditures on redevelopment projects.

### Debt Service Funds

This section defines the FY 2005/06 budget authority for the payment of Redevelopment debt service expenses. Property tax revenue is also received in the Debt Service Funds to support debt service payments on outstanding bonds. Revenue is also transferred to the Redevelopment Operating Fund, the Redevelopment Capital Fund, and the Affordable Housing Fund to support expenditures on projects and programs.

### Bond Proceeds Funds

This section defines the FY 2005/06 budget authority for the use of bond proceeds from the 2000 Bond Issue and the 2003 Affordable Housing Bond Issue.

### Capital Projects Fund

This section defines the FY 2005/06 projected capital Redevelopment (non-housing) expenditures of the Agency. It is important to note that projected capital expenditures include projects to which funds have been appropriated in prior years. All capital project appropriations are considered as part of the Project Appropriations Plan described in the Office of Housing and Redevelopment section of the budget document.

## Redevelopment Funds (RDA)

| (Thousands of Dollars) | General | Debt Service | Capital | Bond Proceeds | Housing Bond and Debt Service | Housing Bond Proceeds | Affordable Housing | Eliminating Internal Transfers | Total Redevelopment |
|---|---|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 5,540** | **$ 53,393** | **$ 12,047** | **$ 962** | **$ 2,116** | **$ 6,859** | **$ 9,844** | **$ -** | **$ 90,761** |
| **Revenues** | | | | | | | | | |
| **Intergovernmental:** | | | | | | | | | |
| Property Taxes | - | 24,106 | - | - | - | - | 5,447 | | 29,553 |
| State ERAF III Revenue loss | - | (2,316) | - | - | - | - | - | | (2,316) |
| In-lieu VLF | - | - | - | - | - | - | - | | - |
| In-lieu Sales Tax | - | - | - | - | - | - | - | | - |
| Sales & Use Taxes | - | - | - | - | - | - | - | | - |
| Vehicle License Fees | - | - | - | - | - | - | - | | - |
| Other Intergovernmental | - | - | - | - | - | - | - | | - |
| Business Taxes | - | - | - | - | - | - | - | | - |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | | - |
| Franchise Fees | - | - | - | - | - | - | - | | - |
| Charges for Services | - | - | - | - | - | - | - | | - |
| Fines | - | - | - | - | - | - | - | | - |
| Investment Earnings | 550 | 300 | 400 | 150 | 50 | 100 | 200 | | 1,750 |
| Paramedic Fees | - | - | - | - | - | - | - | | - |
| Sale of Bonds | - | - | - | - | - | - | - | | - |
| Other Revenues | - | - | - | - | - | - | 5,075 | | 5,075 |
| **Total Revenues** | **550** | **22,090** | **400** | **150** | **50** | **100** | **10,722** | **-** | **34,062** |
| Total Transfers In | 10,100 | - | 30,000 | - | 7,500 | - | - | (47,600) | - |
| **Total Available Resources** | **16,190** | **75,483** | **42,447** | **1,112** | **9,666** | **6,959** | **20,566** | **(47,600)** | **124,823** |
| **Expenditures** | | | | | | | | | |
| General Government | - | - | - | - | - | - | - | | - |
| Public Safety: | | | | | | | | | |
| Police | - | - | - | - | - | - | - | | - |
| Fire | - | - | - | - | - | - | - | | - |
| Development and Environmental Services: | | | | | | | | | |
| Planning | - | - | - | - | - | - | - | | - |
| Building & Safety | - | - | - | - | - | - | - | | - |
| Engineering | - | - | - | - | - | - | - | | - |
| Community Preservation | - | - | - | - | - | - | - | | - |
| Environmental Services | - | - | - | - | - | - | - | | - |
| Human Services | - | - | - | - | - | - | - | | - |
| Maintenance | - | - | - | - | - | - | - | | - |
| Recreation | - | - | - | - | - | - | - | | - |
| Housing and Redevelopment | 11,418 | - | 42,000 | - | - | 5,000 | 10,317 | | 68,735 |
| Non-departmental | - | - | - | - | - | - | - | | - |
| Less: Citywide Savings | | | | | | | | | |
| Debt costs | - | - | - | - | 7,500 | - | - | | 7,500 |
| **Total Expenditures** | **11,418** | **-** | **42,000** | **-** | **7,500** | **5,000** | **10,317** | **-** | **76,235** |
| Total Transfers Out | 202 | 44,986 | - | - | - | - | 2,721 | (47,600) | 309 |
| **Total Use of Resources** | **11,620** | **44,986** | **42,000** | **-** | **7,500** | **5,000** | **13,038** | **(47,600)** | **76,544** |
| **Fund Balance - 6/30/06 (est.)** | **$ 4,570** | **$ 30,497** | **$ 447** | **$ 1,112** | **$ 2,166** | **$ 1,959** | **$ 7,528** | **$ -** | **$ 48,279** |

## Redevelopment Funds (RDA)

| (Thousands of Dollars) | Actuals 03/04 | Budget 04/05 | Budget 05/06 |
|---|---|---|---|
| **Beginning Fund Balance** | **$ 121,950** | **$ 108,160** | **$ 90,761** |
| **Revenues** | | | |
| **Intergovernmental:** | | | |
| Property Taxes | 27,440 | 26,481 | 29,553 |
| State ERAF III Revenue loss | - | - | (2,316) |
| In-lieu VLF | - | - | - |
| In-lieu Sales Tax | - | - | - |
| Sales & Use Taxes | - | - | - |
| Vehicle License Fees | - | - | - |
| Other Intergovernmental | - | - | - |
| Business Taxes | - | - | - |
| Hotel/Motel Taxes | - | - | - |
| Property Transfer Taxes | - | - | - |
| Franchise Fees | - | - | - |
| Charges for Services | - | - | - |
| Fines | - | - | - |
| Investment Earnings | 1,334 | 2,250 | 1,750 |
| Paramedic Fees | - | - | - |
| Sale of Bonds | 2,730 | - | - |
| Other Revenues | 2,856 | 1,726 | 5,075 |
| **Total Revenues** | **34,360** | **30,457** | **34,062** |
| Operating Transfers In | 22 | - | - |
| **Total Available Resources** | **156,332** | **138,617** | **124,823** |
| **Expenditures** | | | |
| General Government | - | - | - |
| Public Safety: | | | |
| Police | - | - | - |
| Fire | - | - | - |
| Development and Environmental Services: | | | |
| Planning | - | - | - |
| Building & Safety | - | - | - |
| Engineering | - | - | - |
| Community Preservation | - | - | - |
| Environmental Services | - | - | - |
| Human Services | - | - | - |
| Maintenance | - | - | - |
| Recreation | - | - | - |
| Housing and Redevelopment | 37,166 | 62,556 | 68,735 |
| Intergovernmental | - | - | - |
| Non-departmental | - | - | - |
| Less: Citywide Savings | - | - | - |
| Debt costs | 6,068 | 2,132 | 7,500 |
| **Total Expenditures** | **43,234** | **64,688** | **76,235** |
| Operating Transfers Out | 292 | 329 | 309 |
| Transfers to Reserves | - | - | - |
| **Total Use of Resources** | **43,526** | **65,017** | **76,544** |
| **Ending Fund Balance** | **$ 112,806** | **$ 73,600** | **$ 48,279** |

# Capital Funds

The Capital Improvement Program/Integrated Capital Assets Plan (CIP/ICAP) is scheduled for Council adoption on June 7, 2005, and includes appropriations for projects for FY 2005/06 through 2009/10. These funds are included with the operating budget in summary so as to present a comprehensive picture of all the funds of the City, and to reflect fund transfers approved between other operating funds and capital funds. Additional CIP/ICAP summary information can be found in the "Capital Budget Summary" of this document, and a complete guide to the capital plan can be found in the City's CIP/ICAP document.

## General Projects - Fund 501

The General Projects fund of the City is unrestricted and can be used for any project designated by the City Council. This fund also accounts for funds expended on the City's maintenance activities. The debt repayment on assets acquired with certificates of participation (COPs) is also shown as a cost in this fund.

## Gas Tax Funds

Revenue in this fund comes from State gas tax and other sources, such as Measure B sales tax distribution, and is used for street maintenance and other traffic improvement projects.

## Park Funds

Funds in this group are restricted to acquisition, development, and/or rehabilitation of park land. The Parks and Recreation Chapter of the General Plan contains the City's policies, standards and guidelines for acquisition and development activities eligible for funding with park funds. The City Council has also adopted a Park Development Program. The FY 2005/06-FY 2009/10 Capital Improvement Program projects the use of the accumulated fund balance over the next few years.

## Traffic Impact Funds

Traffic impact fees are collected from development projects for streets, crossings, and other infrastructure improvements necessary to meet the needs of new development. These funds are used for grade separations, traffic signal improvements, and other street improvements.

## Restricted Capital Funds

These funds are included by reference only; the amounts noted show the funds received from various grants that can be used for a specific capital project. All other projects in this group are either partially or fully funded by other funding sources not available for use other than as specified. Refer to the "restricted funds group" detail in the CIP/ICAP document.

## Capital Improvement Funds

| (Thousands of Dollars) | Gen Fund Group (including ICAP) | Vehicle Replacement | Gas Tax | Park Benefit | Traffic Impact | Restricted Group | Expenditure Reclass* | Total Projects |
|---|---|---|---|---|---|---|---|---|
| **Fund Balance - 6/30/05 (est.)** | **$ 2,151** | **$ 3,383** | **$ 2,003** | **$ 9,160** | **$ 335** | **$ -** | **n.a** | **$ 17,032** |
| **Revenues** | | | | | | | | |
| **Intergovernmental:** | | | | | | | | |
| Property Taxes | - | - | - | - | - | - | - | - |
| State ERAF III Revenue loss | - | | - | | - | | - | - |
| In-lieu VLF | - | | - | | - | | - | - |
| In-lieu Sales Tax | - | | - | | - | | - | - |
| Sales & Use Taxes | - | - | - | - | - | - | - | - |
| Vehicle License Fees | - | - | - | - | - | - | - | - |
| Other Intergovernmental | - | - | 5,485 | - | - | - | - | 5,485 |
| Business Taxes | - | - | - | - | - | - | - | - |
| Hotel/Motel Taxes | - | - | - | - | - | - | - | - |
| Property Transfer Taxes | - | - | - | - | - | - | - | - |
| Franchise Fees | - | - | - | - | - | - | - | - |
| Charges for Services | 2,400 | 1,125 | - | - | - | - | (1,125) | 2,400 |
| Fines | - | | - | - | - | - | - | - |
| Investment Earnings | 434 | - | 197 | 740 | 450 | - | - | 1,821 |
| Paramedic Fees | - | - | - | - | - | - | - | - |
| Sale of Bonds | - | - | - | - | - | - | - | - |
| Other Revenues | - | - | - | 350 | 1,050 | 955 | - | 2,355 |
| **Total Revenues** | **2,834** | **1,125** | **5,682** | **1,090** | **1,500** | **955** | **(1,125)** | **12,061** |
| Total Transfers In | 28,689 | - | - | - | - | - | - | 28,689 |
| **Total Available Resources** | **33,674** | **4,508** | **7,685** | **10,250** | **1,835** | **955** | **(1,125)** | **57,782** |
| **Expenditures** | | | | | | | | |
| General Government | - | - | - | - | - | - | - | - |
| Public Safety: | | | | | | | | - |
| Police | - | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | - | - | - |
| Development & Environmental Services: | | | | | | | | |
| Planning | - | - | - | - | - | - | - | - |
| Building & Safety | - | - | - | - | - | - | - | - |
| Engineering | - | | 310 | - | - | - | (310) | - |
| Community Preservation | - | - | - | - | - | - | - | - |
| Environmental Services | - | - | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - | - | - |
| Maintenance | 21,235 | - | - | - | - | - | - | 21,235 |
| Recreation | - | - | - | - | - | - | - | - |
| Neighborhoods | - | - | - | - | - | - | - | - |
| Non-departmental | 2,590 | 724 | 3,002 | 1,757 | 1,658 | - | (6,071) | 3,660 |
| Less: Citywide Savings | - | - | - | - | - | - | - | - |
| Debt costs | 6,091 | - | - | - | - | - | - | 6,091 |
| **Total Expenditures** | **29,916** | **724** | **3,312** | **1,757** | **1,658** | **-** | **(6,381)** | **30,986** |
| Total Transfers Out | 2,514 | - | 1,150 | - | - | 955 | - | 4,619 |
| **Total Use of Resources** | **32,430** | **724** | **4,462** | **1,757** | **1,658** | **955** | **(6,381)** | **35,605** |
| **Fund Balance - 6/30/06 (est.)** | **$ 1,244** | **$ 3,784** | **$ 3,223** | **$ 8,493** | **$ 177** | **$ -** | **n.a** | **$ 22,177** |

*NOTE: A portion of Capital Improvement Funds' expenditures are being reclassed because costs for design, engineering, and other staff charges to capital projects are budgeted as part of the costs of projects and also included in departments' budgets. Total fund balance does not include available fund balances in restricted fund groups which are contained in the CIP/ICAP.

## Capital Improvement Funds

| (Thousands of Dollars) | Actuals 03/04 | Budget 04/05 | Budget 05/06 |
|---|---|---|---|
| **Beginning Fund Balance** | **$ 17,085** | **$ 19,604** | **$ 17,032** |
| **Revenues** | | | |
| **Intergovernmental:** | | | |
| Property Taxes | - | - | - |
| State ERAF III Revenue loss | - | - | - |
| In-lieu VLF | - | - | - |
| In-lieu Sales Tax | - | - | - |
| Sales & Use Taxes | - | - | - |
| Vehicle License Fees | - | - | - |
| Other Intergovernmental | 5,526 | 5,978 | 5,485 |
| Business Taxes | - | - | - |
| Hotel/Motel Taxes | - | - | - |
| Property Transfer Taxes | - | - | - |
| Franchise Fees | - | - | - |
| Charges for Services | 2,300 | 2,300 | 2,400 |
| Fines | - | - | - |
| Investment Earnings | 1,472 | 1,772 | 1,821 |
| Paramedic Fees | - | - | - |
| Sale of Bonds | - | - | - |
| Other Revenues | 2,800 | 2,539 | 2,355 |
| **Total Revenues** | **12,098** | **12,589** | **12,061** |
| Operating Transfers In | 26,323 | 26,278 | 28,689 |
| **Total Available Resources** | **55,506** | **58,471** | **57,782** |
| **Expenditures** | | | |
| General Government | - | - | - |
| Public Safety: | | | |
| Police | - | - | - |
| Fire | 94 | - | - |
| Development & Environmental Services: | | | |
| Planning | - | - | - |
| Building & Safety | - | - | - |
| Engineering | - | - | - |
| Community Preservation | - | - | - |
| Environmental Services | - | - | - |
| Human Services | - | - | - |
| Maintenance | 18,850 | 20,200 | 21,235 |
| Recreation | - | - | - |
| Neighborhoods | - | - | - |
| Non-departmental | 5,824 | 5,620 | 3,660 |
| Less: Citywide Savings | - | - | - |
| Debt costs | 6,493 | 4,394 | 6,091 |
| **Total Expenditures** | **31,261** | **30,214** | **30,986** |
| Operating Transfers Out | 4,552 | 4,523 | 4,619 |
| Transfers to Reserves | - | - | - |
| **Total Use of Resources** | **35,813** | **34,737** | **35,605** |
| | | | |
| **Ending Fund Balance** | **$ 19,693** | **$ 23,734** | **$ 22,177** |

# Capital Budget Summary

The FY 2005/06 - FY 2009/10 Capital Improvement Program / Integrated Capital Assets Plan (CIP/ICAP) is on a similar presentation and public hearing schedule as the operating budget. Both budgets are tentatively scheduled for adoption on June 7, 2005. A summary of the adopted CIP/ICAP, including an overview of its relationship to the operating budget, planned expenditures, and project highlights, will be published in this space.

***Vision:** Fremont, in the year 2020, will be a globally connected economic center with community pride, strong neighborhoods, engaged citizens from all cultures, and a superb quality of life.*

## Long-term Outcomes for the City of Fremont

1. **Dynamic local economy:** A diverse, strong, and adaptable economy where businesses can be successful in the global economy and where residents and visitors can enjoy high-quality commercial amenities.

2. **An engaged and connected multicultural community:** Strong relationships among people of all cultures and backgrounds to foster democratic community leadership and commitment to a flourishing Fremont.

3. **Thriving neighborhoods:** Safe and distinctive commercial and residential areas where people know each other, are engaged in their community, and take pride in their neighborhoods. Make Fremont a great place to raise children.

4. **Live and work in Fremont:** A range of housing to match the variety of jobs in Fremont enabling people to live and work locally throughout their lives.

5. **Interesting places and things to do:** Places of interest throughout the community where people want to gather, socialize, recreate, shop, and dine.

6. **Effective transportation systems:** A variety of transportation networks that makes travel easy throughout Fremont.

## Key City Priorities

1. **Downtown:** Create a vibrant downtown Fremont that includes a mix of retail and restaurants.

2. **Centerville:** Implement the development project for the Centerville Redevelopment site (located on Fremont Boulevard, south of Thornton Avenue) that includes vibrant mixed-use retail and housing.

3. **Economic Development:** Recruit new retail and restaurants to Fremont; work to retain and expand current businesses.

4. **Pacific Commons:** In partnership with the property owners, study the market and land use feasibility of possible new uses for the remainder of the undeveloped land at Pacific Commons and, if new uses are found to be appropriate, develop a new land use plan for the area.

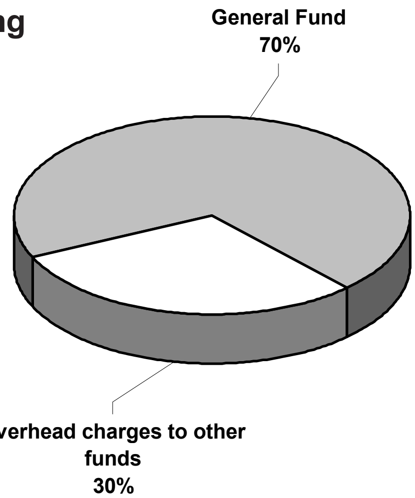
5. **BART to San Jose:** Facilitate the BART extension to Warm Springs and San Jose by working with partner agencies to secure full funding for the extensions.

6. **Railroad Grade Separations:** Take the Paseo Padre Parkway and Washington Boulevard railroad grade separations to bid in order to ease traffic congestion and accommodate the future BART extension to Warm Springs.

7. **Housing Element:** Increase affordable rental housing and homeownership opportunities within Fremont through the implementation of the City's Housing Element.

## City Council Sources of Funding

FY 2005/06: $ 240,383




## City Council Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 79,385 | $ 104,059 | $ 116,897 | $ 129,966 | $ 129,966 | $ 133,868 |
| Operating Expenditures | 150,952 | 102,047 | 70,873 | 102,738 | 129,070 | 100,582 |
| Capital Expenditures | - | 11,194 | - | - | - | - |
| Indirect Expense Allocation | 15,721 | 8,617 | 7,584 | 7,894 | 7,894 | 5,933 |
| **TOTAL EXPENDITURES** | **$ 246,058** | **$ 225,917** | **$ 195,354** | **$ 240,598** | **$ 266,930** | **$ 240,383** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | -9.9% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 City Council budget is $26,547 (or 9.9%) less than the FY 2004/05 budget. City Council salaries are set by Council ordinance (FMC Section 2-1103) and are not increasing in FY 2005/06. City Council benefits have increased slightly as a result of increases in PERS rates. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

# Development & Environmental Services

***Mission:*** *To work in partnership with the community, business, and industry to develop and preserve a quality environment.*

## Description of Responsibilities and Services

The Development and Environmental Services Department provides community planning, engineering, code enforcement, building permit and inspection, and environmental services. The Engineering Division also has supervisory responsibility over street maintenance, median maintenance, and urban forestry. Using the City's General Plan, zoning, and subdivision ordinances, the department acts as the steward of the community by assisting the public through mandated development project reviews, the subdivision of land, and related public improvement plans. To safeguard life, health, property, and public welfare, the department is also responsible for ensuring that buildings and public improvements are designed and constructed according to established standards and governing regulations. Enhanced traffic flow and a safe street system are managed through traffic studies, street improvements, and effective traffic signal coordination. The City's capital assets, such as streets, parks, and public buildings, are designed and constructed under the department's auspices. Environmentally sound and cost-effective methods for the disposal of garbage, recovery of recyclables, waste prevention, and the flow of clean water into streams and the Bay are also programmed in the department.

### Service Objectives

- Execute an agreement with a private development team, in conjunction with land use entitlements, for the Capitol Avenue Main Street Downtown project to launch the City's downtown retail effort.

- Through community and policy engagement, ensure the City's interests are incorporated into any proposed development on the Patterson Ranch property.

- Develop a community engagement plan and launch the update of the City's General Plan to ensure the General Plan 2025 reflects the community's vision for the future.

- Complete the appropriate land use entitlements required for the sale of two City-owned properties to provide revenue to support key capital improvements.

- Redesign the Department's web pages to facilitate better public access to development and permitting information.

- Incorporate environmentally preferred practices in the City's purchasing regulations to ensure the City is making the best effort to use environmentally friendly products.

- Initiate development of a household hazardous waste program to provide a convenient way for Fremont residents to dispose of household hazardous waste in an environmentally responsible manner.

- Develop an economic and land use plan for the next phase of the Pacific Commons project that supports high-quality development and the City's economic development objectives and also complements existing development in the area and the City.

- Following policy direction, revise the City's Historic Resource Preservation policies and procedures to protect historic resources.

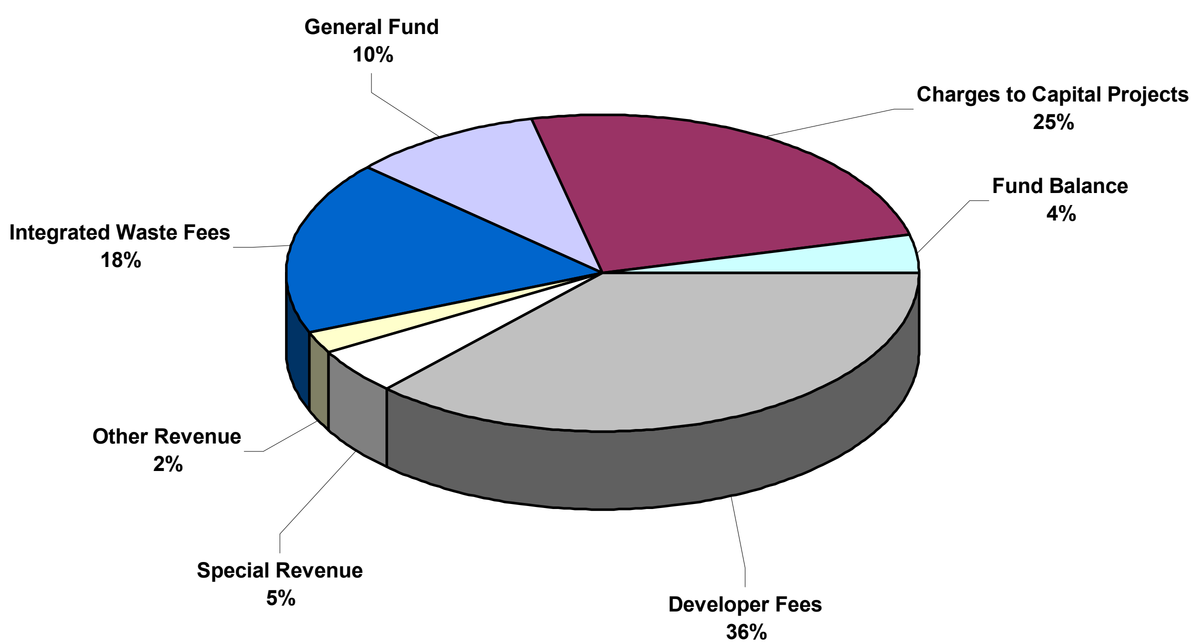
- Develop a program to work with retailers to reduce abandoned shopping carts and the associated blight.

- Evaluate specific elements of the permit approval and inspection processes to determine areas that can be improved and to enhance customer service during construction.

- Modify the R-3 Zoning Ordinance, which governs multi-family developments, to allow for landscape guidelines that provide alternatives for developers to utilize in meeting City requirements and policies related to street trees and landscape development in town home style projects.

**Development & Environmental Services Sources of Funding**

FY 2005/06: $24,569,382



## Planning Expenditures
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 2,052,226 | $ 2,056,726 | $ 2,154,966 | $ 2,327,607 | $ 2,370,832 | $ 2,890,896 |
| Operating Expenditures | 111,409 | 111,878 | 187,445 | 165,212 | 244,289 | 198,080 |
| Capital Expenditures | 24,544 | 1,152 | 4,809 | 505 | 10,000 | 10,000 |
| Indirect Expense Allocation** | 596,642 | 562,667 | 526,511 | 549,595 | 558,538 | 647,005 |
| **TOTAL EXPENDITURES** | **$ 2,784,821** | **$ 2,732,423** | **$ 2,873,731** | **$ 3,042,919** | **$ 3,183,659** | **$ 3,745,981** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 17.7% |

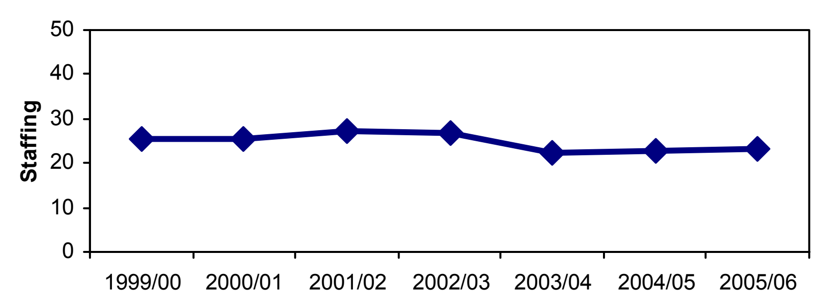
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Planning Division budget is $562,322 (or 17.7%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit increases. The number of authorized positions is expected to increase slightly from 22.73 to 23.375. The Division is supporting a portion of the salary costs for the receptionist position at the Development Services Center that was formerly funded entirely by the Building and Safety Division. The Division is also proposing two new temporary positions to support the comprehensive General Plan update, scheduled to begin during FY 2005/06. A decreasing budget for other operational costs, contained in the operating expenditures line, partially offsets the increase in salaries and benefits costs. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

The General Fund contract for the Development Cost Center is decreasing by $500,000 in FY 2005/06 as a one-time savings measure for the General Fund. This will necessitate the use of fund balance to maintain services and offset this reduction. The service reductions associated with the last two fiscal years will remain in place for FY 2005/06, and the General Fund work program will continue to be constrained. The Development Services Center will remain closed on Friday afternoons and Planning Commission and Historical Architectural Review Board meetings will continue to be cancelled depending upon agenda activity.

### Planning Historical Authorized Staffing



## Building & Safety Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 3,411,227 | $ 3,499,474 | $ 3,335,908 | $ 3,496,369 | $ 3,756,471 | $ 4,162,776 |
| Operating Expenditures | 120,953 | 84,087 | 92,148 | 81,108 | 108,424 | 142,400 |
| Capital Expenditures | 23,206 | 636 | 3,220 | 329 | 24,500 | 24,500 |
| Indirect Expense Allocation | 893,750 | 829,933 | 768,028 | 791,000 | 829,643 | 900,087 |
| **TOTAL EXPENDITURES** | **$ 4,449,136** | **$ 4,414,130** | **$ 4,199,304** | **$ 4,368,806** | **$ 4,719,038** | **$ 5,229,763** |

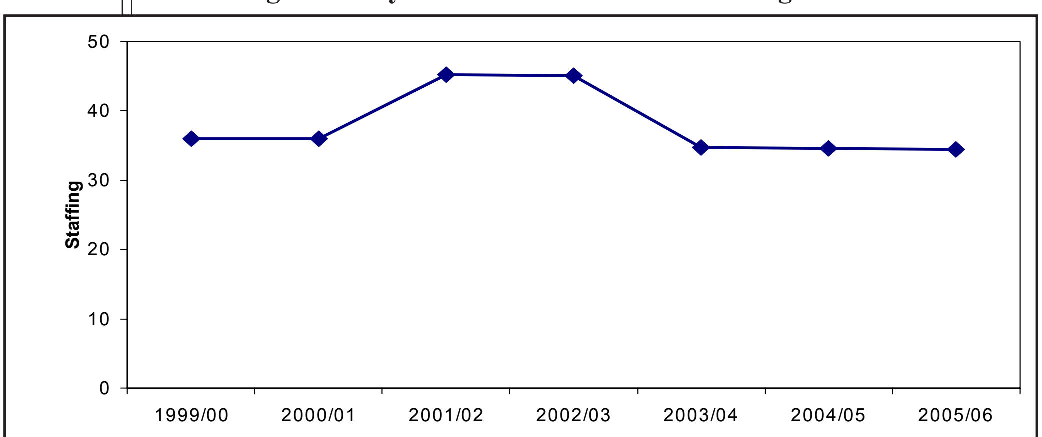
% increase/(decrease), including all funds, from FY 2004/05 10.8%

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Building & Safety Division budget is $510,725 (or 10.8%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a slight reduction in the number of authorized positions, from 34.543 to 34.495. The Building and Safety Division receives no General Fund support and operates exclusively with development fee revenues. The Division has seen slight revenue increases during FY 2004/05 as a result of a 15% fee increase in July 2004 and increased construction activity. To respond to the demands of the increased construction activity, the Division has hired several temporary staff to assist in both Building Inspection and at the Development Services Center. This has resulted in increased operating expenditures. In addition, risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

### Building & Safety Historical Authorized Staffing



## Community Preservation Expenditures

Fiscal Year 2005/06

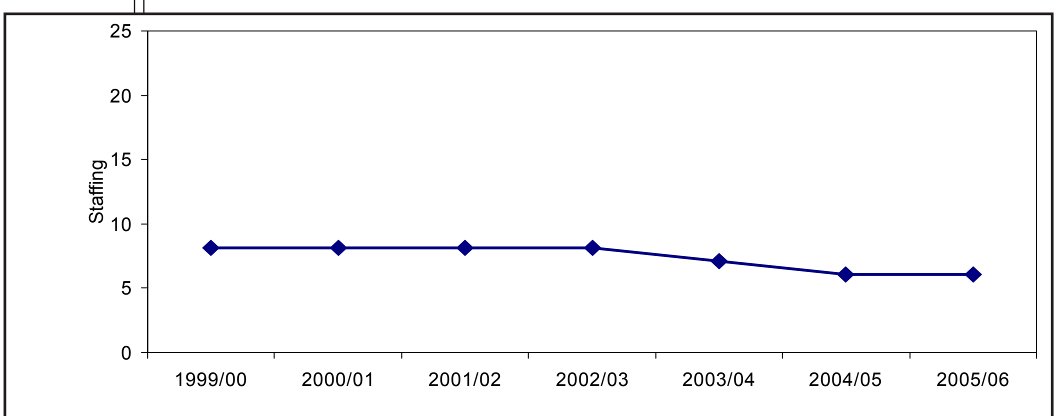
| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 521,351 | $ 640,439 | $ 526,025 | $ 512,930 | $ 552,381 | $ 563,096 |
| Operating Expenditures | 24,664 | 17,161 | 5,664 | 5,616 | 4,000 | 5,122 |
| Capital Expenditures | - | - | - | - | - | - |
| Indirect Expense Allocation | 99,180 | 70,186 | 61,025 | 63,466 | 63,466 | 64,543 |
| **TOTAL EXPENDITURES** | **$ 645,195** | **$ 727,786** | **$ 592,714** | **$ 582,012** | **$ 619,847** | **$ 632,761** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 2.1% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Community Preservation budget is $12,914 (or 2.1%) higher than the FY 2004/05 adjusted budget. The Community Preservation Division is supported almost entirely by the General Fund. Community Preservation will continue to support solid waste enforcement activities through funding provided from the Environmental Services Division. This funding will cover the costs associated with 0.75 FTE of a Code Enforcement Officer II position. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is offset by the salary savings resulting from the exchange of a Senior Code Enforcement Officer position (vacated through retirement) for a Code Enforcement Officer II position. The Division intends to fill this position, keeping the total number of authorized positions constant at 6.075. Risk management costs, which are included in the Indirect Expense Allocation expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

### Community Preservation Historical Authorized Staffing



## Engineering Expenditures
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 4,965,961 | $ 5,154,663 | $ 5,236,818 | $ 5,785,702 | $ 6,145,004 | $ 6,915,142 |
| Operating Expenditures | 185,511 | 332,264 | 359,936 | 214,272 | 363,309 | 261,400 |
| Capital Expenditures | 41,405 | 27,934 | 6,230 | 2,735 | 71,000 | 40,000 |
| Indirect Expense Allocation | 1,138,208 | 1,141,924 | 1,121,485 | 1,181,037 | 1,237,717 | 1,329,559 |
| **TOTAL EXPENDITURES** | **$ 6,331,085** | **$ 6,656,785** | **$ 6,724,469** | **$ 7,183,746** | **$ 7,817,030** | **$ 8,546,101** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 9.3% |

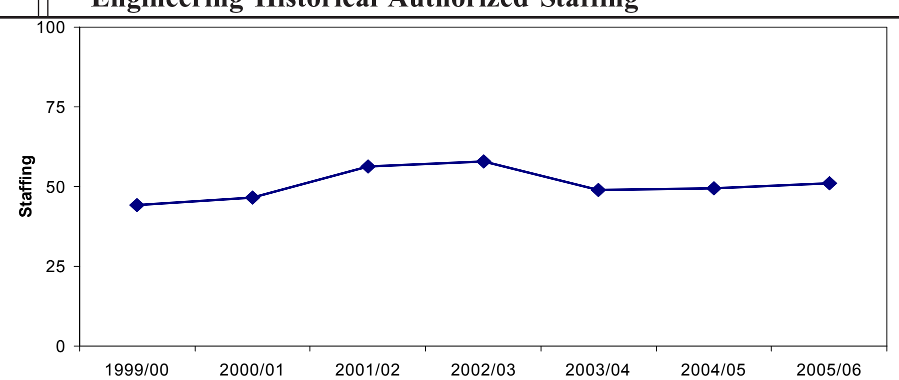
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Engineering Division budget is $729,071 (or 9.3%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. The number of authorized positions is increasing from 49.4 to 50.975. The Division has added positions for FY 2005/06 primarily in the Development Engineering section, where additional staff capacity is necessary to meet the current development review workload and associated timelines. These costs as offset by development revenue. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

The General Fund contract for the Development Cost Center is decreasing by $500,000 in FY 2005/06 as a one-time savings measure for the General Fund. This will necessitate the use of fund balance to maintain services and offset this reduction. The service reductions associated with the last two fiscal years, including delayed responses to traffic service requests, will remain in place for FY 2005/06.

### Engineering Historical Authorized Staffing



## Environmental Services Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 640,850 | $ 763,732 | $ 907,118 | $ 863,545 | $ 991,501 | $ 1,075,739 |
| Operating Expenditures | 1,210,884 | 2,556,675 | 2,243,837 | 3,942,863 | 4,147,310 | 4,820,273 |
| Capital Expenditures | 3,355 | 1,181 | 33,575 | 9,500 | 13,500 | 13,500 |
| Indirect Expense Allocation | 412,483 | 437,139 | 263,580 | 357,177 | 390,963 | 505,264 |
| **TOTAL EXPENDITURES** | **$ 2,267,572** | **$ 3,758,727** | **$ 3,448,110** | **$ 5,173,085** | **$ 5,543,274** | **$ 6,414,776** |

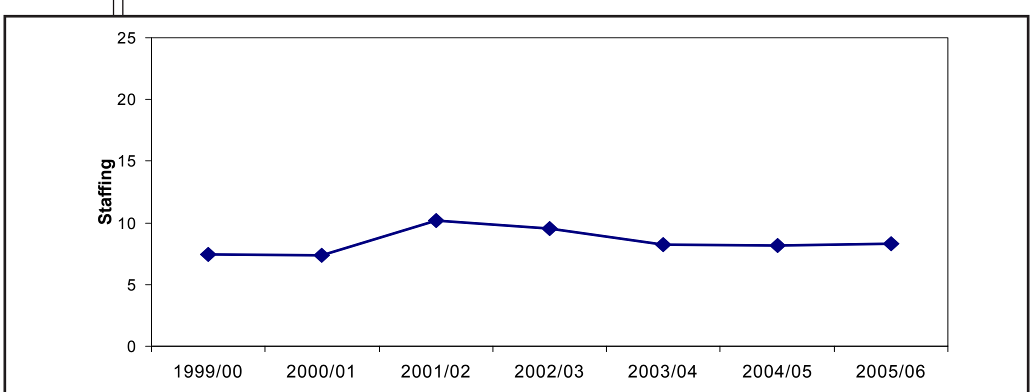
% increase/(decrease), including all funds, from FY 2004/05 15.7%

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Environmental Services Division budget is $871,502 (or 15.7%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. The number of authorized positions is increasing slightly, from 8.193 to 8.28. In FY 2005/06, the Division will continue to provide partial funding for a Park Ranger position in the Parks and Recreation Department to implement a portion of the Clean Water Education program. This funding comes from the urban water runoff fees collected for clean water programs. The Division will also continue its support of solid waste enforcement activities in the Community Preservation Division by funding 0.75 FTE of a Code Enforcement Officer II position. Operating expenditures are increasing as a result of: 1) reimbursement to the solid waste collector for expenses incurred installing refuse vehicle emission control devices as required by new regulations, and 2) increased refuse disposal expenses associated with shifting from the current landfill to the new transfer station. There will be a gap of two to four years between when the increased disposal is payable to the transfer station contractor and when the full expense is passed on to the rate payers. During this interim period, the additional expense will be funded by Environmental Services. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

### Environmental Services Historical Authorized Staffing



Staffing by Function
FY 2005/06
123.2 Permanent Full-Time Equivalents

## Development and Environmental Services

### Building & Safety

Assistant City Manager 0.07
Deputy Director 0.4
Management Analyst I 0.2
Management Analyst III 0.3
Building & Safety Manager 0.925
Building Inspector 8.0
Building Inspector Specialist 6.0
Dev. Services Supervisor 1.0
Plan Check Engineer 5.0
Plans & Permits Manager 1.0
Senior Structural Plan Check Engineer 1.0
Supervising Building Inspector 3.0
Dev. Services Tech II 2.0
Support Specialist 1.0
Support Specialist 1.0
Senior Dev. Services Tech 1.0
Office Specialist II 1.6
Senior Office Specialist 1.0

### Community Preservation

Building & Safety Manager 0.075
Community Preservation Manager 1.0
Code Enforcement Officer II 5.0

**Temporary positions not counted in full-time equivalents.*

### Engineering

Assistant City Manager 0.25
Deputy Director 0.075
Management Analyst I 0.6
Management Analyst III 0.3
Assistant City Engineer 1.0
Civil Engineer II 4.0
Assistant Landscape Architect 2.0
Transportation Engineer II 2.0
Associate Civil Engineer 5.75
Associate Landscape Architect 1.0
Associate Transportation Engineer 3.0
Chief of Party 1.0
City Engineer 1.0
Construction Inspector 3.0
Construction Materials Insp. 1.0
Transportation Engineer I 1.0
Real Property Agent 1.0
Real Property Manager 1.0
Senior Civil Engineer 4.0
Senior Construction Insp. 4.0
Senior Engineering Spec. 1.0
Senior Transportation Engineer 2.0
Supervising Construction Coordinator 2.0
Survey Instrument Operator 1.0
Senior Executive Assistant 1.0
Office Specialist II 3.0
Senior Office Specialist 1.0
Senior Landscape Architect 1.0
Real Property Assistant II 1.0
Civil Engineer I 1.0

### Environmental Services

Assistant City Manager 0.15
Deputy Director 0.4
Environmental Services Mgr. 0.9
Management Analyst III 0.1
Solid Waste Manager 1.0
Office Specialist II 0.98
Environmental Specialist I 2.0
Environmental Specialist II 2.75

### Planning

Assistant City Manager 0.25
Deputy Director 0.075
Management Analyst I 0.2
Management Analyst III 0.3
Planner II 2.0
Associate Civil Engineer 1.0
Associate Planner 5.5
Development Services Supervisor 1.0
Information Systems Applications Specialist II 1.0
Planner I 1.0
Planning Director 1.0
Senior Planner 1.0
Zoning Technician 2.0
Executive Assistant 0.9
Senior Office Specialist 1.0
Accounting Specialist II 1.0
Office Specialist II 1.15
Senior Dev. Services Tech. 1.0
Dev. Services Tech I 1.0
Principal Planner 1.0
*Planner I 1.0**
*Principal Planner 1.0**

# Economic Development

***Mission:** To improve the community's economic base and quality of life for businesses and residents by helping to create a dynamic local economy, develop interesting places and things to do, provide the ability to live and work in Fremont, retain and attract businesses, and strengthen sales tax revenues.*

## Description of Responsibilities and Services

The Office of Economic Development, in partnership with many internal and external stakeholders, proactively works with real estate brokers, developers, and property owners to create the type of retail, office, and industrial or technology-based development desired by the City; creates and implements an overall marketing strategy for the City as a quality place in which to live and do business; communicates with the business community to promote Fremont as a location of choice; works with regional development organizations to strengthen Fremont's position within the local, regional and global economies; assists Council's leadership position in economic development efforts; and assists the Redevelopment Agency in the revitalization of Fremont's historic commercial districts.

### Service Objectives

- Attract retail and restaurants to the City to increase sales tax revenues and create a place where people can gather and enjoy activities.

- Develop and implement a biotech industry strategy to retain and expand the biotech and life science industry base in Fremont and increase the number of quality employment opportunities for residents.

- Serve as a liaison between Catellus Development Corporation and City staff to ensure the Pacific Commons retail development moves forward in a timely manner.

- Provide services and resources to support local small businesses, including holding a Business Resource Fair, and hosting forums on how to contract with government agencies such as BART, Alameda County, and the City of Fremont.

- Connect local residents with local jobs through increased marketing efforts using the community newsletter, the e-biz newsletter, the City website, and through participation with local community colleges and other employment resources.

- Provide business attraction, site selection, and permitting assistance to retail, office, and industrial users by supporting www.FocusOnFremont.com, the business section of www.Fremont.gov, and by providing direct personal contact.

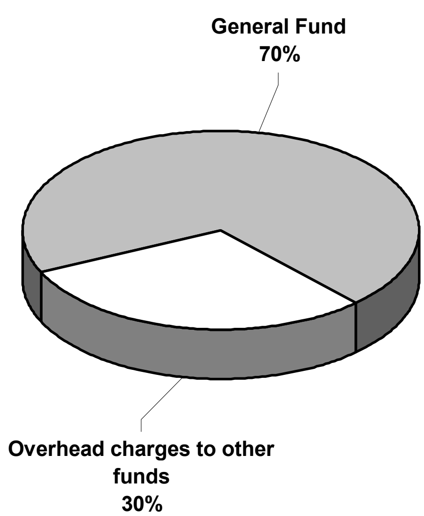
- Facilitate development activities in the historic redevelopment areas and Downtown Fremont to encourage revitalization and increase business activity and tax revenues.

- Identify business community interests and concerns and communicate them to the City Council through regular Economic Development Advisory Commission meetings and the Corporate Site Visit program.

- Expand the programming of Municipal Cable Channel 27 to include pre-programmed videos from government agencies, updated City information, and enhanced graphics in order to provide residents with more timely, detailed information about Fremont.

## Economic Development Sources of Funding

FY 2005/06: $ 919,076




## Economic Development Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 364,772 | $ 476,878 | $ 554,053 | $ 583,505 | $ 601,545 | $ 618,027 |
| Operating Expenditures | 304,636 | 306,675 | 193,759 | 319,062 | 361,922 | 290,261 |
| Capital Expenditures | 757 | 558 | 4,663 | 500 | 500 | 505 |
| Indirect Expense Allocation | 10,305 | 8,324 | 8,664 | 9,003 | 9,003 | 10,283 |
| **TOTAL EXPENDITURES** | **$ 680,470** | **$ 792,435** | **$ 761,139** | **$ 912,070** | **$ 972,970** | **$ 919,076** |

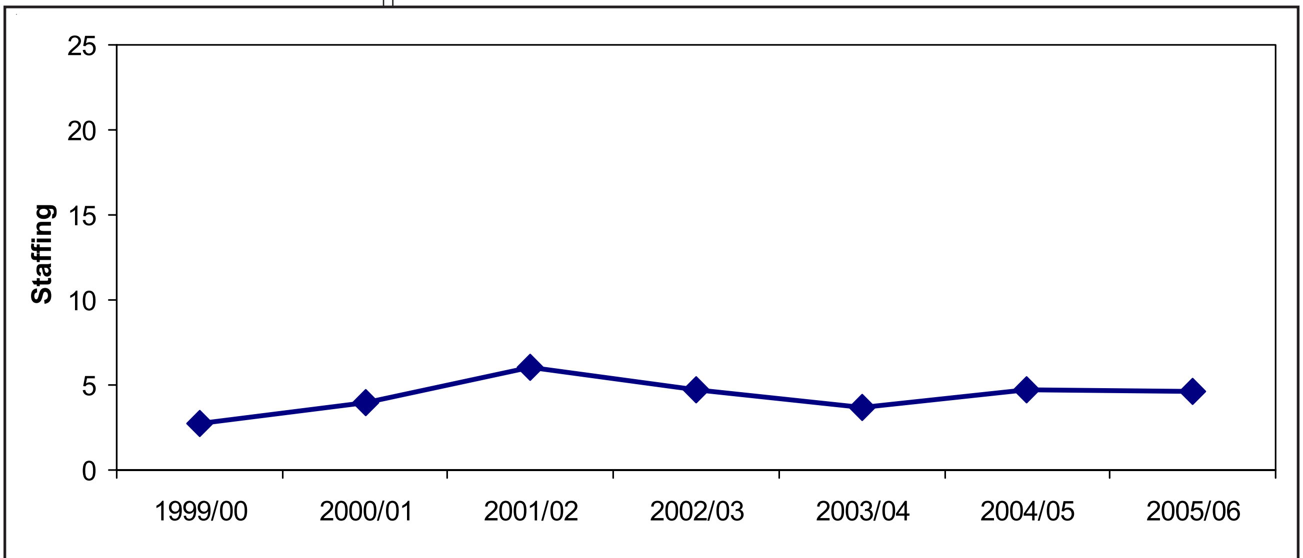
% increase/(decrease), including all funds, from FY 2004/05 (5.5%)

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 Economic Development budget is $53,894 (or 5.5%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a slight reduction in the number of authorized positions from 4.75 to 4.64, and by a reduction in funding for part-time employees. This reduction will result in a loss of capacity to take on new initiatives. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

**Economic Development Historical Authorized Staffing**




Staffing by Function
FY 2005/06
4.64 Permanent Full-Time Equivalents

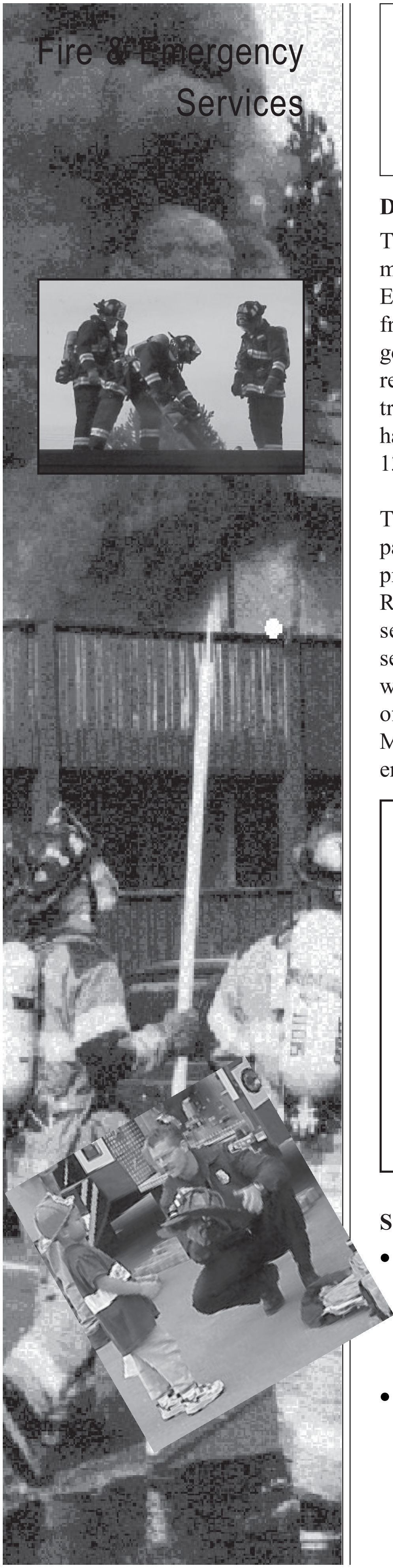
**Economic Development**

Economic Development Director 0.64*
Economic Development Manager 1.0
Economic Development Coordinator 1.0
Communications Coordinator 1.0
Executive Assistant 1.0

The Retail Development Manager position is not shown above because it is filled through a contract.

**The balance of this position is budgeted in the Office of Housing & Redevelopment.*

# Fire & Emergency Services

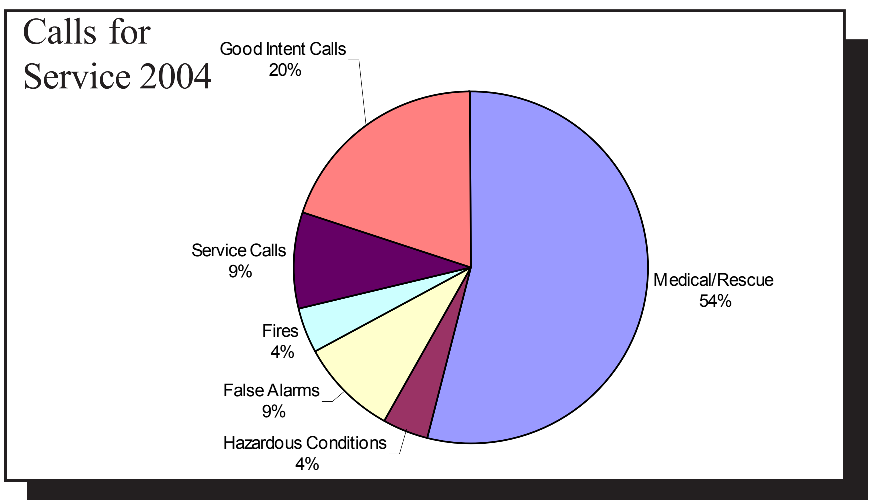


> ***Mission**: To prevent and minimize the loss of life and property threatened by the hazards of fire, medical and rescue emergencies, hazardous materials incidents, and disaster situations within the community.*

**Description of Responsibilities and Services**

The Fire Department is responsible for providing the rapid delivery of fire, medical, rescue, and life safety emergency services within Fremont. Emergency services are delivered through twelve in-service fire companies from ten strategically located fire stations in the City, with the primary goals of reducing causalities and the loss of life, improving patient outcomes, reducing property loss and damage, effecting successful extrications of trapped victims, and protecting the environment from the effects of a hazardous materials release. In 2004, the Fire Department responded to 13,226 calls for service, generating 16,167 engine and truck company runs.

The Fire Department also provides the following programs and services: a paramedic program that is nationally recognized for excellence; emergency preparedness training through support for the Community Emergency Response Team (CERT) program; fire and life safety code inspection services in nearly 6,000 businesses; hazardous materials management services for over 1,000 facilities; and urban search and rescue services with California Task Force 4. The Fire Department is also one of a handful of State-certified rescue teams at the “heavy” level, and it is one of 120 Metropolitan Medical Response System (MMRS) cities nationwide with enhanced terrorism response plans and capabilities.




**Service Objectives**

- Continue implementation of Fire Bond (Measure R) projects, including: site acquisition for Station 2; completion of construction or retrofitting on Stations 2, 3, 4, 5, 6, 7, 8, 9 and 10; and continuation of the construction planning phase for the Training Center.

- Complete implementation of the Aether Records Management System (RMS), which will improve outcome reporting, including training, sharing of data with external Fire and EMS agencies, and tracking trends to provide more effective feedback to employees and residents on the Fire Department’s activities.

- Finalize the Fire Department Strategic Plan and communicate the Department's five-year goals and vision to the City Council and community.

- Develop a standardized annual report on pertinent Fire Department activities that can be used internally to track progress and externally to provide information to the Council and community.

- Review and analyze Standards of Coverage (SOC) data and adjust Departmental response procedures to maintain adopted response performance criteria.

- Provide training and career development in a variety of areas, including a minimum of 240 hours of manipulative and classroom training, to enhance job performance and safety.

- Implement a Quality Improvement (QI) Committee to evaluate the Department's strengths and weaknesses and execute the EMS quality improvement plan to comply with the First Responders Advanced Life Support (FRALS) agreement and State regulations.

- Develop and evaluate EMS performance indicators, including a standardized template for annual reporting of EMS data, to ensure all employees are adhering to State, County, and City policies, benchmark compliance to patient care standards, adhere to documentation protocols, and identify training opportunities.

- Assess the needs and enhance opportunities for providing an advanced automated external defibrillator (AED) program to City departments and throughout the community to increase the survival rate of individuals who experience cardiac arrest.

- Inspect 100% of all high-risk regulated hazmat businesses and 30% of other regulated hazmat facilities to comply with State requirements, and develop a streamlined billing process for the Business Inspection and Hazardous Materials programs.

- Introduce 60 new businesses into the appropriate inspection and/or regulatory program and provide education to the occupant relative to compliance with California Building Codes and Hazardous Materials requirements.

- Evaluate recently adopted State Fire and Life Safety Codes to ensure appropriate amendments are proposed to the City Council, and work with City departments and the Redevelopment Agency to facilitate remediation and reuse of contaminated properties.

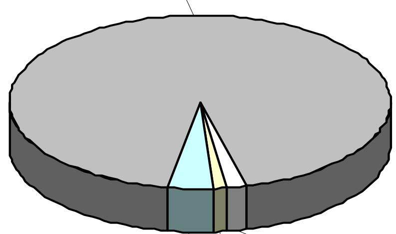
- Fulfill grant requirements for terrorism preparedness and deliver training and plans needed to ensure Fire Department staff is prepared to respond to terrorist events.

- Conduct three scheduled CERT (Community Emergency Response Teams) courses and four PEP (Personal Emergency Preparedness) classes for the community, including two citywide disaster exercises to improve community preparedness in the event of an emergency.

- Initiate Citizen Corps Council (CCC) activities and conduct initial town hall meetings to facilitate community involvement and feedback in the prevention of crime and responding to emergencies.

**Fire Sources of Funding**

FY 2005/06: $ 27,142,093




**Fire Expenditures**

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $20,077,159 | $19,600,632 | $19,740,120 | $21,391,877 | $22,118,619 | $23,614,027 |
| Operating Expenditures | 1,111,480 | 705,713 | 1,007,173 | 1,476,505 | 1,681,201 | 1,474,491 |
| Capital Expenditures | 1,250,297 | 164,574 | 459,637 | 292,762 | 570,612 | 186,307 |
| Indirect Expense Allocation | 2,172,991 | 1,967,138 | 1,987,224 | 2,066,714 | 2,066,714 | 1,867,268 |
| **TOTAL EXPENDITURES** | **$24,611,927** | **$22,438,057** | **$23,194,154** | **$25,227,858** | **$26,437,146** | **$27,142,093** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 2.7% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

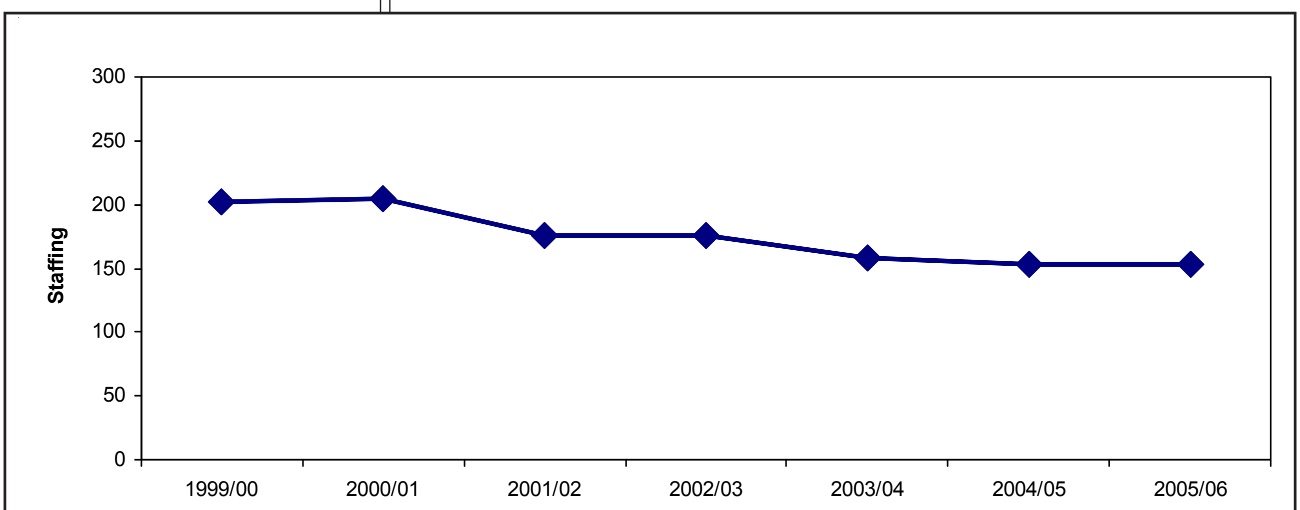
## Major Changes for FY 2005/06

The FY 2005/06 Fire budget is $704,947 (or 2.7%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. There are no changes in authorized staffing levels for FY 2005/06. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

The FY 2005/06 Fire budget eliminates the Fire Department's Public Outreach program from the General Fund budget for a savings of $32,410. Elimination of this program means that Fire Department support for special events such as National Night Out, Community Emergency Response Team (CERT) activities, and the Festival of the Arts will be limited to on-duty personnel only or sustained on overtime through user fees. In addition, the purchase of public relations materials (such as red fire hats, fire badges, stickers, etc.) and printed fire safety materials that are distributed at counters, fairs, and kiosks will occur only as funds become available. The development and implementation of the department's Strategic Plan will also be delayed as the budget for a professional consultant is eliminated.

Rotating station closures ("brown-outs") implemented in FY 2002/03 as an alternative to layoffs will remain in place and will occur whenever the number of individuals absent from work reaches three or more. (Although a reduction in public safety service, this strategy has proven to be effective in reducing overall departmental expenditures.) Station 11 in the City's west industrial area will remain closed. Outside training opportunities will be limited. There will be a continued reduction of Paramedic Program medical oversight, public education, and disaster preparedness in order to concentrate staffing and resources in core emergency services.

**Fire Department Historical Authorized Staffing**



## Fire

Staffing by Function
FY 2005/06
153.0 Permanent Full-Time Equivalents

**Chief's Office**
Fire Chief 1.0
Division Chief 2.0
Fire Captain 1.0

**Administration / Personnel**
Business Manager 1.0
Senior Executive Assistant 1.0
Senior Office Specialist 2.0
Senior Accounting Specialist 1.0
Office Specialist II 1.0
Office Specialist I 1.0

**Operations**
Division Chief 1.0
Battalion Chief 6.0
Fire Captain 38.0
Fire Engineer 37.0
Firefighter 47.0

**Emergency Medical Services and Training**
Division Chief 1.0
Nurse Educator 1.0
Fire Captain 2.0

**Fire Prevention**
Division Chief 1.0
Hazmat Program Manager 1.0
Fire Captain 1.0
Management Analyst II 1.0
Hazmat Technician 3.0
Code Enforcement Officer 2.0

# Housing & Redevelopment

***Mission:** To foster commercial vitality in the Centerville, Irvington, and Niles historic districts through public and private investment, to enable the economic development of the City's western industrial area through the construction of major infrastructure improvements, and to improve, preserve, and support the development of quality affordable housing throughout the City of Fremont.*

**Description of Responsibilities and Services**

The Office of Housing and Redevelopment is responsible for carrying out the Fremont Redevelopment Agency's adopted Redevelopment Plan, including the Five-Year Implementation Plan. The focus of the Plan is to stimulate investment in the Centerville, Irvington, and Niles historic project areas and the western industrial area; facilitate major infrastructure construction in support of this investment; and improve, preserve, and support the development of quality, affordable housing throughout the City of Fremont. The department develops and implements commercial property improvement programs and partners with property owners and businesses to encourage private investment. Staff is also dedicated to building community stability over the long term and to strengthening neighborhoods by investing in quality affordable housing programs and supporting the expansion of new affordable housing developments. The Agency's Affordable Housing Strategy includes a Five-Point Housing Program that focuses the majority of funds on investment in new construction of affordable housing.

**Service Objectives**

- Develop a business attraction strategy in partnership with the Office of Economic Development to improve and retain businesses in the historic districts.

- Work with interested stakeholders to enable train passengers riding the historic Niles Railway to shop, dine, and entertain in the Niles commercial district.

- Establish a new public parking and assessment district in Niles to ensure maintenance of the proposed town plaza and business district parking areas, and to stimulate economic development and private investment in the historic district.

- Expand marketing efforts for the First Time Homebuyer Program to increase public employee participation.

- Develop a "Launch Project" to implement the Irvington Concept Plan in the Irvington historic district.

## Project Appropriations Plan

The Project Appropriations Plan, shown on the following page, lists projects for which the Redevelopment Agency is requesting new appropriations. It is not a complete list of all previously funded Agency projects, and some previously funded projects, such as the I-880/Mission Boulevard Interchange: Phase 1A, may still be underway. The Project Appropriations Plan shows funding estimates for five years; however, the Agency Board only approves the appropriations shown in the new budget year, FY 2005/06 (shaded column). The Plan serves much the same purpose for the Redevelopment Agency as the Capital Improvement Program (CIP) serves for the City.

### Non-Housing

This year's Project Appropriations Plan includes $17.6 million of new, non-housing project appropriations. Of this, approximately $8.3 million is related to regional transportation projects and was projected in previous budgets, and approximately $4.0 million is new appropriations for projects in Fremont's historic redevelopment project areas (Centerville, Irvington, and Niles).

This year's Project Appropriations Plan reflects a slight increase ($1.7 million) in project appropriations compared to last year. The Plan also reflects continued State takeaways of $2.3 million in FY 2005/06. Due to possible cost increases for capital projects, uncertainty regarding the impact of the State's budget deficit, and continued vulnerability of redevelopment funding to the Educational Revenue Augmentation Fund (ERAF) shift, this year's Project Appropriations Plan calls for $5 million of new appropriations for the Opportunity Fund/Contingency.

### Housing

The Housing portion of the Project Appropriations Plan includes expenditures for affordable housing that are funded in part by $16.5 million in housing bonds issued by the Agency in June 2003. This year's Project Appropriations Plan includes $14.4 million of new project appropriations. Of this, $6.2 million would be committed to new construction of affordable housing and $5 million to the Opportunity Fund/Contingency.

## Redevelopment Project Appropriations Plan

**(Thousands of Dollars)**

*This list includes only projects for which new appropriations are being requested. It is not a comprehensive list of all Redevelopment projects.*

| | | Total Estimated Appropriation 6/30/2005 | Spent | Projected Appropriation Request FY 05/06 - 09/10 | | | | | | Total Projected Agency Allocation |
|---|---|---|---|---|---|---|---|---|---|---|
| **NON - HOUSING FUNDS** | | | | 05/06 | 06/07 | 07/08 | 08/09 | 09/10 | Subtotal | |
| ***Regional Transportation*** | | | | | | | | | | |
| 1 | I880/Mission: Phase 2 - Warren Grade Separation | $ 9,700 | $ 500 | $ 8,300 | $ - | $ - | $ - | $ - | $ 8,300 | $ 18,000 |
| ***Irvington*** | | | | | | | | | | |
| 2 | Parking Options-Bay Street | 1,000 | 312 | 600 | | | | | 600 | 1,600 |
| 3 | Lincoln Street Sidewalks | - | - | 100 | - | - | - | - | 100 | 100 |
| ***Centerville*** | | | | | | | | | | |
| 4 | Central Avenue Widening | 1,775 | 1,775 | 268 | - | - | - | - | 268 | 2,043 |
| 5 | Baine Avenue Connection to Dusterberry | 65 | - | 135 | - | - | - | - | 135 | 200 |
| 6 | Sidewalk-North side of Joseph Street and both sides of Parish Avenue | 200 | 50 | 375 | - | - | - | - | 375 | 575 |
| ***Niles*** | | | | | | | | | | |
| 7 | Quarry Lakes/Niles Beach | 3,771 | 3,789 | 45 | 45 | 45 | 45 | - | 180 | 3,951 |
| 8 | UP Site Clean-up | - | - | 1,800 | - | - | - | - | 1,800 | 1,800 |
| ***All RDA Areas*** | | | | | | | | | | |
| 9 | Façade Improvement Program | 1,022 | 600 | 700 | | | | | 700 | 1,722 |
| 10 | Pacific Commons Municipal Parcel Planning & Maintenance | 600 | 220 | 100 | | | | | 100 | 700 |
| 11 | Development Opportunities/Visioning | 100 | 10 | 100 | | | | | 100 | 200 |
| 12 | Plan Amendment | 450 | 200 | 100 | | | | | 100 | 550 |
| 13 | Opportunity Fund/Contingency | 2,554 | - | 5,000 | 5,000 | 5,000 | 2,509 | - | 17,509 | 20,063 |
| | **TOTAL NON - HOUSING** | **$ 21,237** | **$ 7,456** | **$ 17,623** | **$ 5,045** | **$ 5,045** | **$ 2,554** | **$ -** | **$ 30,267** | **$ 51,504** |
| **HOUSING FUNDS** | | | | | | | | | | |
| 1 | Apartment Acquisition and Rehabilitation | n/a | n/a | 1,500 | - | - | - | - | 1,500 | 1,500 |
| 2 | First Time Homebuyers | n/a | n/a | 1,000 | 600 | 600 | 600 | 500 | 3,300 | 3,300 |
| 3 | New Construction | n/a | n/a | 6,246 | - | - | - | - | 6,246 | 6,246 |
| 4 | Preservation of Affordable Housing | n/a | n/a | 300 | 300 | 300 | 300 | 200 | 1,400 | 1,400 |
| 5 | Single Family Home Rehabilitation | n/a | n/a | 400 | 400 | 400 | 400 | 400 | 2,000 | 2,000 |
| 6 | Opportunity Fund/Contingency | n/a | n/a | 5,000 | 3,000 | 3,000 | 3,000 | 2,000 | 16,000 | 16,000 |
| | **TOTAL HOUSING** | n/a | n/a | **$ 14,446** | **$ 4,300** | **$ 4,300** | **$ 4,300** | **$ 3,100** | **$ 30,446** | **$ 30,446** |

## Redevelopment Agency Project Highlights

The Agency's established order of funding priorities is debt service, regional transportation projects, strategic investments in the historic districts, and affordable housing. The proposed Project Appropriations Plan and work program were developed in alignment with the Agency's adopted Five-Year Implementation Program for the period of July 1, 2003-June 30, 2008. The Five-Year Implementation Program calls for investments in programs that: support performance of businesses in the project areas, enhance the appearance and function of private properties in project areas, invest in public infrastructure, and eliminate blight. A brief summary of the work program follows:

### Regional Transportation

The full Washington Grade Separation project will begin in FY 2005/06; it is expected to be completed in three years. This project will facilitate traffic flow through the Irvington Redevelopment Area currently impeded by train passage, facilitate the extension of BART to Warm Springs, and support the revitalization of the commercial and retail Irvington district.

### Strategic Investments in the Historic Districts

***Centerville:*** The Redevelopment Agency has appropriated nearly $16.9 million to assemble, remediate, and pay for public improvements to an approximately six-acre Unified Site to develop a mixed-use, retail and residential development for the neighborhood. Final development plans were approved for this project on March 22, 2005. The developer is expected to begin construction early in 2006. To complement this development, staff is pursuing an access easement across an existing parking lot property to improve it as a secondary access point for the Centerville Depot. The project also includes construction of a sidewalk to complete a pedestrian connection between the Depot and Bonde Way.

Additional funding of $300,000 (allocated in previous years) has been committed to the Depot's second parking lot budget to complete the construction of a 97-space parking lot adjacent to the Bill Ball Plaza, across the tracks from the Centerville Depot.

The widening of Central Avenue to Dusterberry and the undergrounding of utilities will commence in FY 2005/06. A new appropriation of $268,000 will fund the acquisition of public utility easements necessary for completion of this project. Additionally, $510,000 will be appropriated to install a number of missing sidewalks in various Centerville locations, and circulation improvements will also be completed to complement new development and private investment.

***Irvington:*** To implement a parking plan at the Irvington Post Office, $600,000 will be appropriated to fund the improvements to the parking lot. Utilizing previously allocated funding, the Agency and active property and business owners will continue working together to develop new parking options and solutions for the Bay Street Streetscape Plan. Staff will also begin developing a "Launch Project" to implement the Irvington Concept Plan, using funds appropriated in previous years. Additionally, a number of sidewalk improvements in various Irvington locations will be funded with a new appropriation of $100,000.

***Niles:*** The former Union Pacific (UP) property, now owned by the Redevelopment Agency, remains the focal point of redevelopment efforts in the Niles Project Area. Approximately $5 million has been previously appropriated for the acquisition and environmental testing of the 5.25-acre former UP site and for its ultimate design and development as a town plaza located in the heart of the historic commercial district. In order to bring the redevelopment of the former UP site to fruition, an additional appropriation of $1.8 million will be allocated to secure State approval of an environmental remediation plan and to carry out the necessary remediation work.

## All Redevelopment Area Historic Districts

The Façade Improvement Program, launched in FY 2004/05, shows an appropriation of $700,000, which will be used to fund approximately 30 new grants. Staff will also continue working with eligible property owners on the Commercial Rehabilitation Loan Program, which was revised and reactivated in FY 2004/05. Previously allocated funding will be utilized for these efforts.

The Pacific Commons Municipal Parcel Planning and Maintenance program shows a new appropriation of $100,000, which will be utilized for ongoing land management activities on the parcel. An additional appropriation of $100,000 will be allocated for Development Opportunities/Visioning, which will provide for investigating new development opportunities to enhance the historic districts. The Plan Amendment program item also shows a new appropriation of $100,000, which will be used to fund a Plan Amendment extension to allow raising the Industrial Redevelopment Project Area tax increment cap. According to recent projections, the cap will be reached in FY 2013/14.

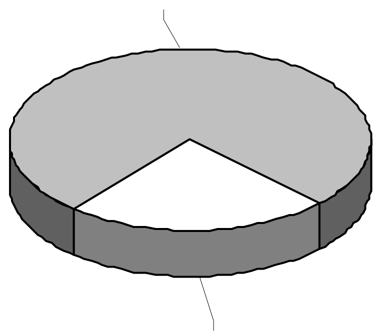
As a shield against budget uncertainty and to support new initiatives, the Opportunity Fund/Contingency shows an appropriation of $5 million in FY 2005/06.

## Affordable Housing

The Redevelopment Agency adopted an Affordable Housing Investment Strategy on June 25, 2002, providing direction to staff to pursue new affordable housing development in the community. For FY 2005/06, $6.2 million is earmarked for new construction, and $5 million is available in the Opportunity Fund/Contingency. The Investment Strategy and the Five-Year Implementation Program adopted in 2003 also call for a continued investment in the First Time Homebuyer Program (with an appropriation of $1 million for FY 2005/06 and $600,000 for each subsequent year); the Apartment Acquisition and Rehabilitation Program (with an appropriation of $1.5 million over the next five years); the Home Improvement Loan Program (with an appropriation of $2.0 million over the next five years); and for preservation of existing affordable housing (with an appropriation of $1.4 million over the next five years).

## Office of Housing & Redevelopment Sources of Funding

FY 2005/06: $ 76,834,752




## Affordable Housing

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 398,291 | $ 561,295 | $ 631,319 | $ 514,520 | $ 811,065 | $ 846,822 |
| Operating Expenditures | 900,048 | 258,715 | 515,737 | 552,076 | 265,041 | 244,754 |
| Capital Expenditures | 2,641,941 | 6,892,254 | 6,790,626 | 17,826,736 | 17,839,005 | 17,062,780 |
| Indirect Expense Allocation** | 130,620 | 149,177 | 163,428 | 163,342 | 163,342 | 173,425 |
| **TOTAL EXPENDITURES** | **$ 4,070,900** | **$ 7,861,441** | **$ 8,101,110** | **$19,056,674** | **$19,078,453** | **$18,327,781** |

% increase/(decrease), including all funds, from FY 2004/05 (3.9%)

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

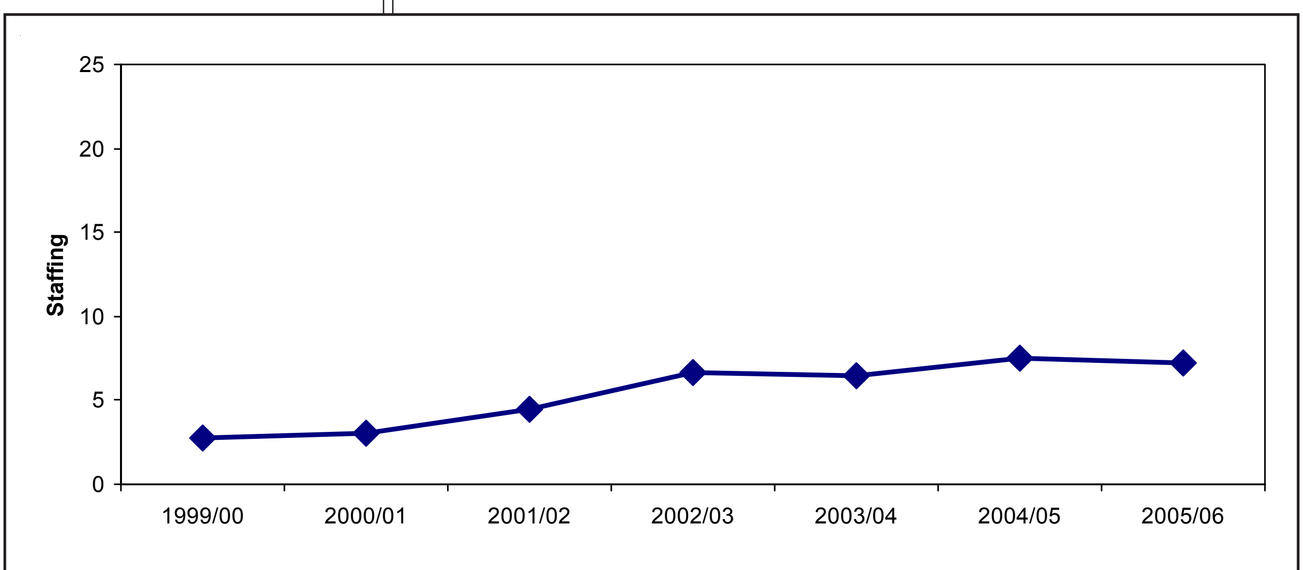
**Major Budget Changes for FY 2005/06**

The FY 2005/06 Affordable Housing budget is $750,672 (or 3.9%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. The number of authorized positions is unchanged at 7.23 FTE. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of a increased claims cost and a reallocation of these costs among departments where claims activity occurs.

Funding for affordable housing comes from the Redevelopment Agency and other special funds. No City General Fund revenue is used in the Affordable Housing Program. Redevelopment tax increment is projected to generate approximately $5.447 million for affordable housing during FY 2005/06. Operating expenditures, which are decreasing this year, include funds for paying debt service on the housing bonds and other administrative costs.

Capital expenditures are decreasing by almost $800,000. Although decreasing, this category anticipates project expenditures of over $14.4 million. A large portion of these expenditures is committed to new affordable housing developments, such as Maple Street, Bridgeway, and Irvington Apartments, and to programs such as the First-Time Homebuyer Program, the Home Improvement Program, and the Apartment Rehabilitation Program. This category also includes funds designated for new opportunities and contingencies.

**Affordable Housing Historical Authorized Staffing**



## Redevelopment Agency Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 631,142 | $ 854,858 | $ 744,272 | $ 911,020 | $ 924,192 | $ 1,019,993 |
| Operating Expenditures | 10,499,482 | 9,278,277 | 9,757,964 | 12,669,198 | 9,564,334 | 10,356,011 |
| Capital Expenditures | 9,917,497 | 13,021,968 | 22,195,923 | 16,549,724 | 35,525,000 | 46,886,656 |
| Indirect Expense Allocation** | 307,328 | 393,121 | 226,244 | 266,468 | 266,468 | 244,311 |
| **TOTAL EXPENDITURES** | **$21,355,449** | **$23,548,224** | **$32,924,403** | **$30,396,410** | **$46,279,994** | **$58,506,971** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 26.4% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

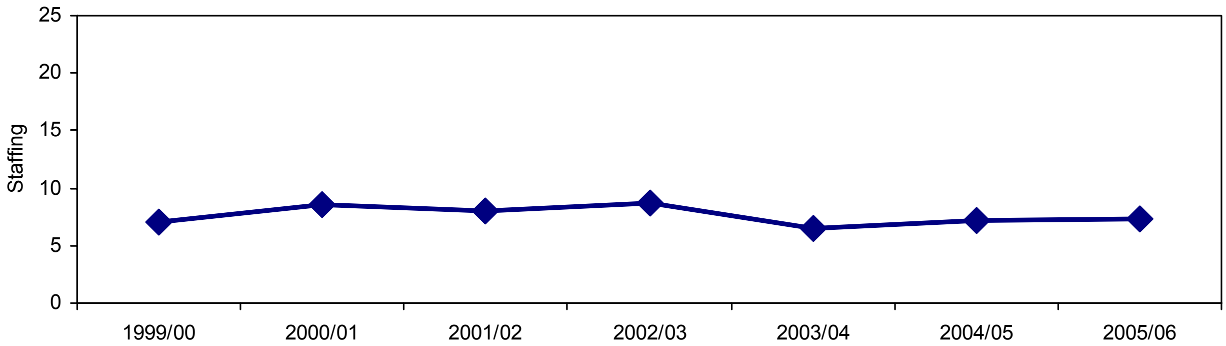
### Major Budget Changes for FY 2005/06

The FY 2005/06 Redevelopment budget is $12,226,977 (or 26.4%) higher than the FY 2004/05 adjusted budget. No General Fund revenue is used in the Redevelopment program. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. The number of authorized positions is decreasing from 7.45 to 7.312 due to ending the partial assignment of one Redevelopment Project Manager to the implementation of the Fire Safety Bond project (-0.1 FTE) and to the reduction in Redevelopment's portion of the Economic Development Director position funding (-0.038 FTE). Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Proposed FY 2005/06 operating expenditures, which are increasing, include required pass-through payments to other government agencies such as Alameda County, an estimated $2.3 million State takeaway related to the Educational Revenue Augmentation Fund (ERAF), and debt service payments.

Proposed FY 2005/06 capital expenditures, which are also increasing, include redevelopment projects and programs such as the interchange at I-880 and Route 238, the Washington Boulevard Grade Separation, and investments in the historic Redevelopment Project Areas.

**Redevelopment Historical Authorized Staffing**




Staffing by Function
FY 2005/06
14.542 Permanent Full-Time Equivalents

**Housing & Redevelopment**

**Redevelopment**
Assistant City Manager 0.2
Redevelopment Agency Director 1.0
Economic Development Director 0.212
Deputy Director/DES 0.05
Redevelopment & Housing Project Manager 3.0
Business Manager 0.75
Executive Assistant 1.0
Accounting Specialist II 0.5
Office Specialist I 0.6

**Affordable Housing**
Assistant City Manager 0.08
Deputy RDA Director/Housing 1.0
Redevelopment & Housing Project Mgr 2.0
Business Manager 0.25
Housing Programs Coordinator 1.0
Housing Counselor 1.0
Senior Office Specialist 1.0
Accounting Specialist II 0.5
Office Specialist I 0.4

# Human Services

***Mission:*** *To support a vibrant community through services that empower individuals, strengthen families, encourage self-sufficiency, enhance neighborhoods, and foster a high quality of life.*

**Description of Responsibilities and Services**

Fremont's Human Services Department is nationally recognized for its innovative and effective programs. The department offers services designed to help families become or remain self-sufficient, and it provides a continuum of services for seniors to help elders remain independent and in their own homes. Services for well seniors include a meal program, adult education, and health screening at the Senior Center. For frail seniors, the department offers personalized service coordination including home visits, senior peer counseling, and support services for caregivers, and it operates an extensive local paratransit system. The department is a national leader in municipal senior programs, as evidenced by its recent selection by the Robert Wood Johnson Foundation as one of eleven U.S. localities to receive funding to plan for the coming growth in the senior population.

Human Services also oversees the Fremont Family Resource Center (FRC), a partnership that co-locates 20+ organizations (State, County, City, and nonprofit) for one-stop service access. The FRC is host to a Volunteer Income Tax Assistance program and to various financial literacy services for low-income families, and integrated case management services for families facing multiple barriers to self-sufficiency. The FRC has worked for several years in the Cabrillo neighborhood to foster parent involvement in the schools and to build leadership and problem-solving capacity among residents. The FRC is widely recognized as a model for serving families and was named one of the 100 "Best of the Best" community development projects in the United States.

The department's Youth and Family Services Division provides counseling services to improve family relationships during times of stress or crisis with special emphasis on early delinquency intervention and prevention, school problems and truancy, and specialized mental health services for families with children less than five years of age. Activities include a variety of parent workshops and support groups. School-based services include individual and group counseling for students at more than half of the elementary schools in Fremont. Research demonstrates that these programs are a cost-effective way to keep youth on the right track and divert them from the criminal justice system.

Human Services is also responsible for administration of the City's social service and federal Community Development Block Grant (CDBG) funds, and it provides technical assistance to agencies receiving grants. It is also staff to the Human Relations Commission, the Senior Citizens Commission, the Paratransit Advisory Committee, and the Community Development Block Grant Citizens Advisory Committee.

**Service Objectives**

- Develop and implement a planned giving campaign to generate new revenues to support programs for youth, families, and seniors.

- Increase revenue from Medi-Cal reimbursement programs that provide care management and counseling to seniors, youths, and their families by establishing productivity standards for staff and conducting appropriate outreach to identify families in need of services.

- Provide 25,000 individual and group paratransit rides to seniors and disabled adults in Fremont, and enhance the quality of paratransit services.

- Secure renewal funding from Proposition 10 (the tobacco tax) for the Infant Toddler Program, which offers mental health services in Spanish and English for parents of infants and preschool children, and identify new funding sources to continue the program.

- Coordinate with the Fremont Unified School District, the Fremont Police Department, and other service providers to develop resources, such as anger management classes and social skills groups, that will reduce violence and gang-related problems on school campuses.

- Continue to implement the Homeless Outreach for People Empowerment (HOPE) project, which targets homeless persons and families living on the street and in need of comprehensive services.

- In collaboration with the Human Relations Commission, organize the citywide Make-a-Difference Day effort to promote the idea of "unity through community service."

- Secure additional funding from external sources to ensure continuation of Youth and Family Services' on-site counseling in Fremont schools.

- Work on strengthening and increasing the civic participation of families in the Cabrillo neighborhood by continuing the Family Resource Center's after-school and summer sports programs, which foster parent leadership and involvement.

- Seek foundation funding to support leadership and community engagement initiatives in the Cabrillo neighborhood and work with neighborhood leaders to ensure that Human Services' programs in Cabrillo are sustainable regardless of external funding.

- Expand the number of families served by the Family Service Team, which brings together multi-disciplinary staff from different organizations at the Family Resource Center to improve the success rate of parents transitioning into the workforce.

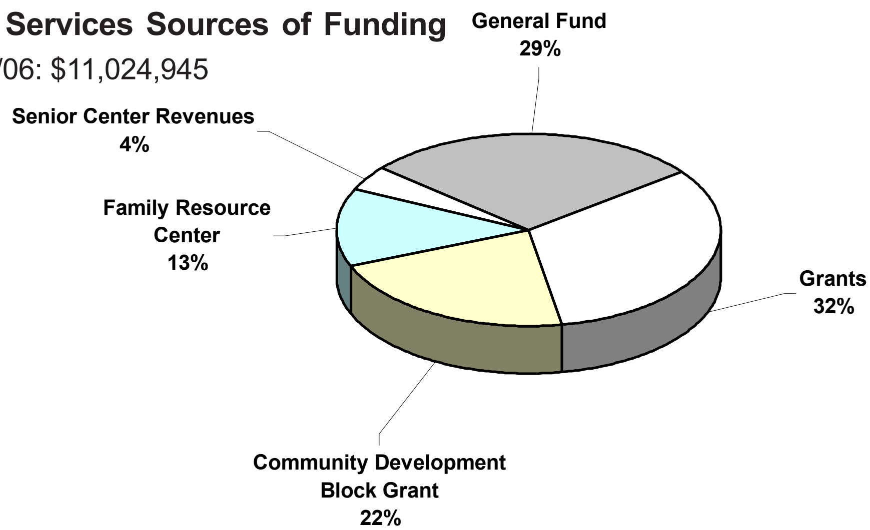
- Expand the Volunteer Income Tax Assistance (VITA) program, which helps low-income families prepare their taxes and receive their Earned

Income Tax Credit, to serve 325 families, bringing over $500,000 into the local economy.

- Collaborate with partner agencies to increase economic success among families by offering Money Smart, the Federal Deposit Insurance Corporation's comprehensive financial literacy curriculum, to adults who can benefit from learning this material.

## Human Services Sources of Funding

FY 2005/06: $11,024,945




## Human Services Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 3,042,465 | $ 3,647,293 | $ 3,767,701 | $ 4,140,576 | $ 4,436,541 | $ 5,037,447 |
| Operating Expenditures | 4,114,208 | 3,616,217 | 4,529,744 | 4,415,112 | 5,802,624 | 5,032,110 |
| Capital Expenditures | 131,975 | 35,225 | 50,504 | 33,554 | 551,492 | 503,778 |
| Indirect Expense Allocation | 248,096 | 354,237 | 303,416 | 283,763 | 417,956 | 451,610 |
| **TOTAL EXPENDITURES** | **$ 7,536,744** | **$ 7,652,972** | **$ 8,651,365** | **$ 8,873,005** | **$11,208,613** | **$11,024,945** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (1.6%) |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

## Major Changes for FY 2005/06

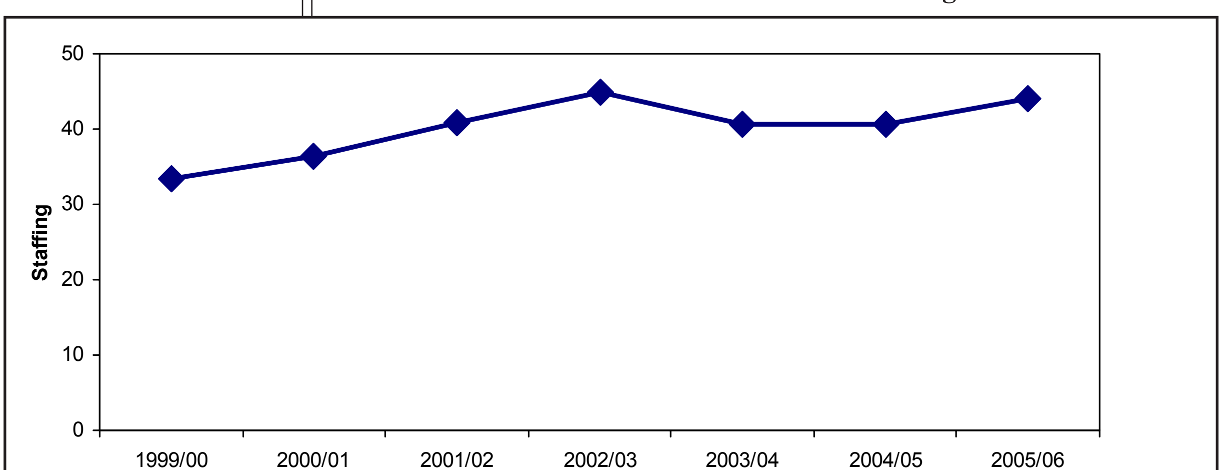
The FY 2005/06 Human Services budget is $183,668 (or 1.6%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. In addition, the number of authorized positions is increasing from 40.67 to 43.97 FTE. The three new positions reflect the conversion of long-term, full-time temporary staff to permanent staff pursuant to bargaining unit agreements. All three positions are funded from non-General-Fund sources. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

The budget includes an increase in expenditures for youth and family counseling for services provided to Medi-Cal eligible clients. These expenditures are entirely offset by increased revenues received through Medi-Cal reimbursement programs. The budget includes a decrease in the federal Community Development Block Grant program. This decrease is the result of flat appropriations for the program at the federal level being divided among an increasing number of eligible communities nationwide each year. The budget also reflects the elimination of funding to cities for the Juvenile Accountability Block Grant, which provided funds for youth and family counseling.

The budget includes revenues and expenditures connected with a prestigious grant from the Robert Wood Johnson Foundation to plan for the coming growth in the senior population. The City was one of eleven organizations (out of 486 applicants nationally) to receive this 18-month grant in November 2004.

The department continues to diversify its funding sources as a strategy to reduce reliance on the General Fund while continuing to deliver critical services. As a result, General Fund contributions supply about 29% of the department's budget.

## Human Services Historical Authorized Staffing



Staffing by Function
FY 2005/06
43.97 Permanent Full-Time Equivalents

## Human Services

Human Services Director 1.0
Deputy Human Services Director 1.0
Executive Assistant 1.0
Office Specialist II 1.0

### Youth and Family Services

Family Services Administrator 1.0
Clinical Supervisor 1.0
Senior Program Coordinator 1.0
Counselor 5.97
Administrative Assistant 1.0
Senior Accounting Specialist 1.0
*Counseling Interns**

### Family Resource Center

Family Resource Center Administrator 1.0
Case Manager 2.2
Clinical Supervisor 1.0
Administrative Assistant 1.0
Senior Office Specialist 1.0
Community Engagement Specialist 1.0
Counselor 1.0

### CDBG Services

CDBG Administrator 1.0
Management Analyst II 1.0
Senior Office Specialist 1.0

### Senior Services

Family Services Administrator 1.0

### Senior Supportive Services

Clinical Supervisor 1.0
Case Manager 5.3
Senior Program Coordinator 1.0
Counselor 0.5
Administrative Assistant 1.0
Senior Office Specialist 1.0
*Outreach Worker 1.5**

### Senior Center

Senior Center Manager 1.0
Program Coordinator 1.0
Chef / Food Services Manager 1.0
Senior Office Specialist 1.0
Office Specialist II 1.0
*Building Attendants**

### Paratransit

Management Analyst II 1.0
Senior Office Specialist 1.0
*Outreach Worker 2.0**

**Temporary positions not counted in full-time equivalents*

# Maintenance

**Mission:** *To preserve community assets by maintaining City facilities and the physical environment.*

## Description of Responsibilities and Services

The Maintenance Division maintains City-owned infrastructure by providing preventative maintenance that enhances capital preservation, safety activities, housekeeping activities, and (whenever practical) aesthetic enhancements. These functions are carried out through street maintenance, median maintenance, urban forestry, park maintenance, public buildings maintenance, and fleet maintenance.

### Service Objectives

- Complete a comprehensive sign condition survey to support a proactive maintenance program for signs in the City right-of-way.
- Complete a comprehensive survey of the City's sidewalk conditions to provide updated maintenance cost information that can assist with long-term maintenance planning.
- Use GIS data and the Maintenance Management System to develop an accurate median and back-up lot inventory to provide the basis for an annual maintenance schedule and determine its effectiveness.
- Begin a systematic replacement of high maintenance plant material from the City's medians and back-up lots with low maintenance and drought tolerant material to reduce labor and maintenance costs.
- Continue to implement park maintenance operating strategies and technologies to reduce park facility maintenance impacts and guide the most effective use of reduced park maintenance resources.
- Replace the irrigation control system at Central Park with a state-of-the-art automated system to significantly reduce maintenance staff time, water use, and costs.
- Continue the upgrade of existing fire alarm equipment to increase reliability of the systems, thereby saving maintenance costs.
- Create a Public Buildings intranet website to provide information on services, maintenance activities, and customer requests.
- Evaluate various in-house parts warehousing and distribution methods and determine a method that will improve the effectiveness and efficiency of service delivery.
- Relocate the compressed natural gas station to City Hall to create a central location for fueling, thereby reducing travel time, personnel costs, and equipment costs.

- Complete the consolidation of refueling sites by removing six underground fuel storage tanks in order to reduce environmental compliance and administration costs as well as reduce the potential for ground water contamination.

- Adopt a Fleet Services Policy that will guide the management, deployment, and replacement policies of the City's vehicle fleet.

## Maintenance Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 9,818,297 | $10,101,247 | $ 9,736,325 | $10,568,201 | $11,405,696 | $12,154,124 |
| Operating Expenditures | 7,225,697 | 6,720,182 | 6,887,499 | 7,289,482 | 7,825,822 | 7,124,243 |
| Capital Expenditures | 781,803 | 336,581 | 38,627 | 108,648 | 81,921 | 57,000 |
| Indirect Expense Allocation** | 3,507,990 | 3,474,894 | 3,372,741 | 3,626,157 | 3,759,695 | 4,412,826 |
| **TOTAL EXPENDITURES** | **$21,333,787** | **$20,632,904** | **$20,035,192** | **$21,592,488** | **$23,073,134** | **$23,748,193** |

% increase/(decrease), including all funds, from FY 2004/05 2.9%

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

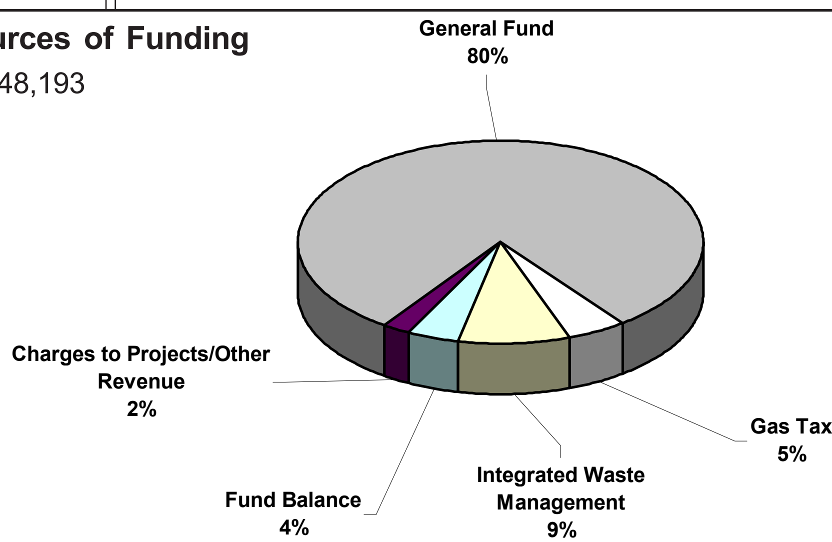
**Major Changes for FY 2005/06**

In FY 2005/06, Maintenance will be entering its third year after reorganization in FY 2003/04. The FY 2005/06 Maintenance budget is $675,059 (or 2.9%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements.

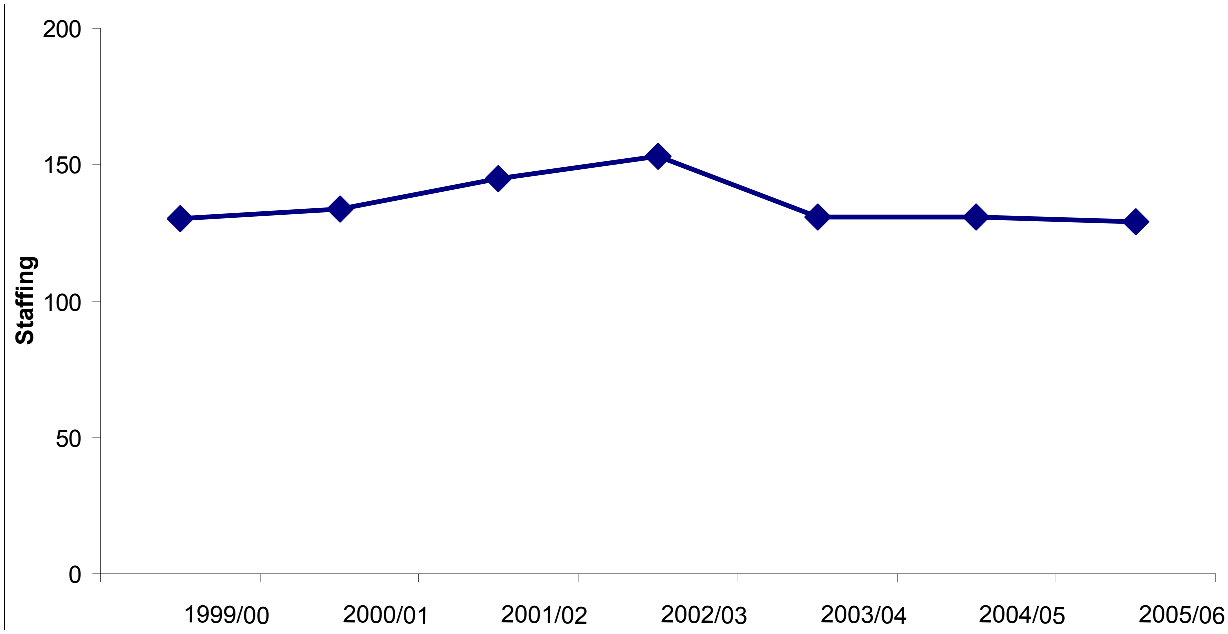
The expanded integrated waste management fee will continue to partially fund street sweeping, leaf removal, debris pick-up, litter and trash collection, and green waste processing. In response to previous staffing reductions, Maintenance will continue to concentrate on infrastructure safety and preservation, at the expense of aesthetics.

## Maintenance Sources of Funding

FY 2005/06: $ 23,748,193



**Maintenance Historical Authorized Staffing**




## Streets, Medians, & Urban Forestry Expenditures

Fiscal Year 2005/06

| | 2001/02* Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05** Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | $ 3,932,043 | $ 3,868,057 | $ 4,216,679 | $ 4,457,817 | $ 4,599,074 |
| Operating Expenditures | | 2,242,540 | 2,187,039 | 2,329,511 | 2,459,566 | 2,281,181 |
| Capital Expenditures | | 59,851 | 3,731 | 25,445 | 26,530 | 25,000 |
| Indirect Expense Allocation | | 1,004,614 | 988,283 | 1,047,338 | 1,092,395 | 1,357,483 |
| **TOTAL EXPENDITURES** | **$ -** | **$ 7,239,048** | **$ 7,047,110** | **$ 7,618,973** | **$ 8,036,308** | **$ 8,262,738** |

% increase/(decrease), including all funds, from FY 2004/05 2.8%

* In FY 2001/02, expenditures for this unit were included in the larger Maintenance budget shown on page 154. As of FY 2002/03, the Maintenance budget is displayed within the functional unit.

** Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 Streets, Medians, and Urban Forestry budget is $226,430 (or 2.8%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 54 to 52 due to the elimination (through retirement) of the Street Maintenance Superintendent position and the elimination of one Park Maintenance Worker II position. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

The hiring of the Maintenance Operations Manager in the Maintenance Administration area will reduce the impact of the retirement of the long-time Street Maintenance Superintendent. Some of those assignments formerly handled by the Street Maintenance Superintendent will appropriately be assumed by the Maintenance Operations Manager. However, other assignments will be added to the workload of other managers, resulting in reduced capacity to perform their regular assignments and leaving less capacity for management oversight in other areas. The loss of the Park Maintenance Worker II position will result in approximately 600 fewer trees pruned on an annual basis and will further extend the citywide pruning cycle from the current 12 years to once every 14 years. In addition, the budget for street paving is being reduced by $78,000, which means that a street area equivalent to Paseo Padre Parkway, both north and southbound, from Mowry to Walnut, will not be paved on an annual basis.

Reassignment of specific duties within the Streets, Medians, and Urban Forestry area include: transferring oversight of pavement management contracts, including cape seal, slurry seal, and overlays to Engineering; reorganizing the reporting structure of the Streets, Right-of-Way, and Maintenance Administration areas; reassigning the street lighting program and the MTC pavement management oversight; and reassigning oversight of the Maintenance budget.

Staffing by Function
FY 2005/06
52.0 Permanent Full-Time Equivalents

(Part of Development & Environmental Services)

Park Maintenance Supervisor 1.0

Tree Crews
- Park Field Supervisor 2.0
- Park Maintenance Worker II 6.0
- Park Maintenance Worker I 1.0

Median Crews
- Park Field Supervisor 2.0
- Park Maintenance Worker II 3.0
- Park Maintenance Worker I 9.0

Street Maintenance Supervisor 1.0

Pavement Maintenance
- Street Field Supervisor 1.0
- Street Maintenance Worker II 4.0
- Street Maintenance Worker I 5.0

Traffic Safety
- Street Field Supervisor 1.0
- Street Maintenance Worker II 6.0

Street Sanitation
- Street Field Supervisor 1.0
- Street Maintenance Worker II 6.0
- Street Maintenance Worker I 3.0

## Parks Maintenance Expenditures
Fiscal Year 2005/06

| | 2001/02* Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05** Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | $ 2,644,237 | $ 2,192,008 | $ 2,456,606 | $ 2,687,603 | $ 2,915,115 |
| Operating Expenditures | | 916,646 | 1,056,663 | 1,074,917 | 1,185,147 | 970,300 |
| Capital Expenditures | | 57,776 | 12,584 | 36,500 | 25,000 | 22,500 |
| Indirect Expense Allocation | | 600,656 | 550,447 | 585,218 | 624,241 | 978,344 |
| **TOTAL EXPENDITURES** | **$ -** | **$ 4,219,315** | **$ 3,811,702** | **$ 4,153,241** | **$ 4,521,991** | **$ 4,886,259** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 8.1% |

* In FY 2001/02, expenditures for this unit were included in the larger Maintenance budget shown on page 154. As of FY 2002/03, the Maintenance budget is displayed within the functional unit.

** Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Parks Maintenance budget is $364,268 (or 8.1%) higher than the FY adjusted 2004/05 budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. There is no change in the number of authorized positions. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

In order to implement non-personnel budget savings, Park Maintenance will reduce funding for contract services, irrigation supplies, and miscellaneous operating supplies. Reductions in contract services are primarily related to tree pruning, which will lead to an increase in limb and tree failures in one or two years and force the removal of City trees. There may also be an increased need for overtime in the future as crews deal with emergency tree removals. Reductions in the irrigation supplies budget will necessitate more staff time devoted to rebuilding sprinkler heads and valves. This will create an increase in the crew's backlog, a longer response time for irrigation service requests, and stressed turf and shrubs. Over time, park users will notice deterioration in the appearance of the City's parks. In addition, fertilizing turf will be limited to athletic fields only; tennis and basketball nets will be replaced less frequently; and barbeque grills, benches, and wooden signs will be repaired, rather than replaced.

## Staffing by Function
## FY 2005/06
## 34.0 Permanent Full-Time Equivalents

(Part of Parks & Recreation)

Park Superintendent 1.0

Central Park
- Park Field Supervisor 1.0
- Park Maintenance Worker II 3.0
- Park Maintenance Worker I 7.0

North End Parks
- Park Field Supervisor 1.0
- Park Maintenance Worker II 2.0
- Park Maintenance Worker I 3.0

South End Parks
- Park Field Supervisor 1.0
- Park Maintenance Worker II 3.0
- Park Maintenance Worker I 4.0

Construction/Irrigation
- Park Field Supervisor 1.0

Construction
- Park Maintenance Worker II 1.0
- Park Maintenance Worker I 2.0

Irrigation
- Park Maintenance Worker II 1.0
- Park Maintenance Worker I 2.0
- Park Equipment Mechanic 1.0

## Public Buildings Expenditures
Fiscal Year 2005/06

| | 2001/02* Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05** Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | $ 1,868,121 | $ 1,972,080 | $ 2,200,401 | $ 2,423,902 | $ 2,537,170 |
| Operating Expenditures | | 2,472,850 | 2,563,630 | 2,819,654 | 3,089,365 | 2,893,462 |
| Capital Expenditures | | 111,805 | 2,648 | 17,135 | 500 | 500 |
| Indirect Expense Allocation | | 683,803 | 698,846 | 753,892 | 785,755 | 829,393 |
| **TOTAL EXPENDITURES** | **$ -** | **$ 5,136,579** | **$ 5,237,204** | **$ 5,791,082** | **$ 6,299,522** | **$ 6,260,525** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (0.6%) |

* In FY 2001/02, expenditures for this unit were included in the larger Maintenance budget shown on page 154. As of FY 2002/03, the Maintenance budget is displayed within the functional unit.

** Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Public Buildings budget is $38,997 (or .6%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 24.9 to 24.15 due to the elimination of one Building Maintenance Worker I. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

The reduction in personnel will increase response time for routine service calls and increase the backlog of scheduled and deferred maintenance caused by prior-year budget reductions. In addition, the division is reducing its consultant services budget by $100,000. Because this line item included a rollover of an encumbrance from previous years that will not be needed in FY 2005/06 or future years, this reduction will have no effect on current service levels.

Staffing by Function
Fiscal 2005/06
24.15 Permanent Full-Time Equivalents

(Part of Administrative Systems)

Public Buildings Superintendent 1.0
Building Maintenance Supervisor 1.0
Building Maintenance Field Supervisor 3.0
Building Maintenance Specialist 1.0
Building Trades Worker III 2.0
Building Maintenance Worker II 12.0
Building Maintenance Worker I 2.0
Office Specialist II 1.0
Assistant City Manager/City Clerk 0.15
Management Analyst I 1.0

## Fleet Maintenance Expenditures
Fiscal Year 2005/06

| | 2001/02* Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05** Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | $ 949,483 | $ 934,384 | $ 1,087,915 | $ 1,196,141 | $ 1,265,360 |
| Operating Expenditures | | 992,583 | 1,006,374 | 991,180 | 1,017,250 | 913,000 |
| Capital Expenditures | | 26,767 | 15,281 | 11,500 | 16,000 | 9,000 |
| Indirect Expense Allocation | | 297,163 | 296,789 | 309,881 | 326,541 | 350,560 |
| **TOTAL EXPENDITURES** | $ - | $ 2,265,996 | $ 2,252,828 | $ 2,400,476 | $ 2,555,932 | $ 2,537,920 |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (0.7%) |

* In FY 2001/02, expenditures for this unit were included in the larger Maintenance budget shown on page 154. As of FY 2002/03, the Maintenance budget is displayed within the functional unit.

** Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06
The FY 2005/06 Fleet Maintenance budget is $18,012 (or .7%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. There is no change in the number of authorized positions. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

In order to implement non-personnel budget savings, Fleet Maintenance will reduce funding for vehicle repair, supplies, and equipment. These reductions will affect the speed with which internal citywide vehicle repair services are implemented. Certain repair work will be deferred, some vehicles will be sold as is, and common stock items will be reused, rather than replaced with new materials. In addition, the stocked inventory of vehicle parts will be reduced, which means that repairs may be delayed by an average of two work days.

Staffing by Function
FY 2005/06
13.15 Permanent Full-Time Equivalents

(Part of Administrative Systems)

Fleet Superintendent 1.0
Auto Parts & Maintenance Coordinator 1.0
Office Specialist II 1.0
Equipment Maintenance Supervisor 1.0
Heavy Equipment Mechanic 4.0
Auto Equipment Mechanic 2.0
Mechanic Assistant 3.0
Assistant City Manager/City Clerk 0.15

## Maintenance Admin Expenditures

Fiscal Year 2005/06

| | 2001/02* Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05** Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | | $ 707,363 | $ 769,795 | $ 606,600 | $ 640,234 | $ 837,405 |
| Operating Expenditures | | 95,563 | 73,794 | 74,220 | 74,495 | 66,300 |
| Capital Expenditures | | 80,382 | 4,383 | 18,068 | 13,891 | - |
| Indirect Expense Allocation | | 888,658 | 838,376 | 929,828 | 930,763 | 897,046 |
| **TOTAL EXPENDITURES** | **$ -** | **$ 1,771,966** | **$ 1,686,348** | **$ 1,628,716** | **$ 1,659,383** | **$ 1,800,751** |

% increase/(decrease), including all funds, from FY 2004/05 8.5%

* In FY 2001/02, expenditures for this unit were included in the larger Maintenance budget shown on page 154. As of FY 2002/03, the Maintenance budget is displayed within the functional unit.

** Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Maintenance Administration budget is $141,368 (or 8.5%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. In addition, a Maintenance Operations Manager position was authorized during FY 2004/05. This position will provide a cohesive intermediate level of oversight of the maintenance areas, which currently report to three department managers, and will also reduce the impact of the retirement of the Street Maintenance Superintendent. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
6.0 Permanent Full-Time Equivalents

(Part of Development & Environmental Services)

Maintenance Operations Manager 1.0
Management Analyst III 1.0
Senior Office Specialist 1.0
Office Specialist II 3.0


***Mission:*** *To ensure the citizens of Fremont receive friendly, valued customer services through the management of recreation facilities, the provision of a broad spectrum of recreation programs, park planning services, and the maintenance of City parks.*

## Description of Responsibilities and Services

The Parks and Recreation Department provides leisure activities that enhance the lives of residents and participants. The department also manages public use of recreation facilities, oversees the park system, provides soft enforcement services through a small group of Park Rangers, and delivers park planning and maintenance services. The recreation functions, which are carried out primarily through the Recreation enterprise operation, include performing and visual arts, youth and adult sports, teen and youth programs, early childhood enrichment programs, park visitor's services, and management of the community centers, special facilities, and historic sites. Staff provides support to the Recreation Commission and various other boards and commissions that advise the City Council. The department also carries out capital and park planning and development projects, implements the Parks and Recreation Master Plan, and maintains the City's parks.

### Service Objectives

- Develop and implement a marketing plan to strengthen the customer and revenue base for recreation programs to ensure that program revenues cover program costs.

- Improve customer access to recreation programs and reduce staff costs associated with registration by improving the online registration system, Reg-E-Rec, and CLASS software.

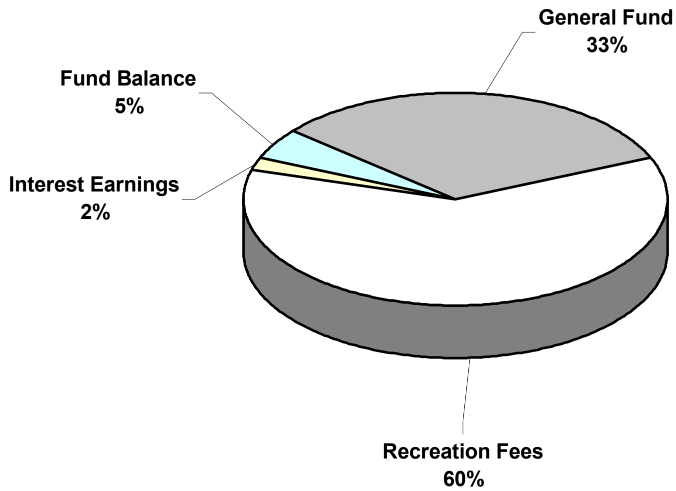
- Continue to implement park maintenance operating strategies and technologies to reduce park facility maintenance impacts and guide the most effective use of reduced park maintenance resources.

- Replace the irrigation control system at Central Park with a state-of-the-art automated system to significantly reduce maintenance staff time, water use, and costs.

- Manage the consultant team involved in the design and construction of the Water Park in Central Park to ensure this major new facility is open to the public in 2007.

## Parks & Recreation Sources of Funding

FY 2005/06: $ 6,159,046




## Recreation Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 3,915,492 | $ 4,035,152 | $ 3,965,337 | $ 3,866,602 | $ 4,040,643 | $ 4,120,467 |
| Operating Expenditures | 1,217,297 | 1,013,303 | 1,014,451 | 978,248 | 1,073,066 | 953,609 |
| Capital Expenditures | 39,898 | 11,106 | 33,076 | 11,000 | 6,337 | 6,337 |
| Indirect Expense Allocation | 1,107,214 | 978,707 | 892,185 | 928,182 | 961,898 | 1,078,633 |
| **TOTAL EXPENDITURES** | **$ 6,279,901** | **$ 6,038,268** | **$ 5,905,049** | **$ 5,784,032** | **$ 6,081,944** | **$ 6,159,046** |

% increase/(decrease), including all funds, from FY 2004/05 1.3%

**Note:** The table above reflects only expenditures for Recreation programs. The budget for Park Maintenance is displayed in the Maintenance section of this document.

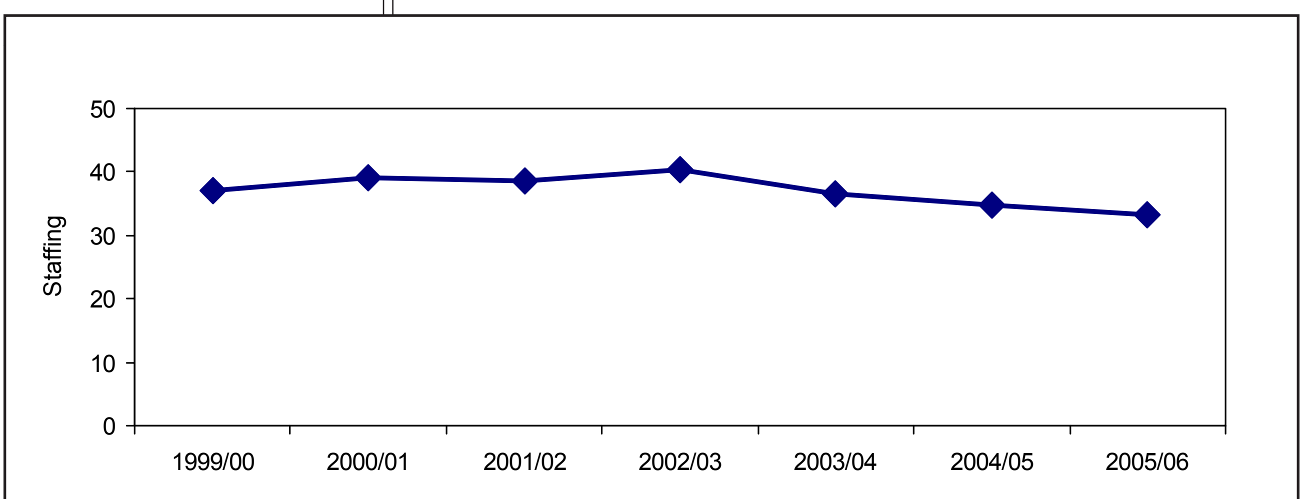
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY2005/06 Parks and Recreation budget is $77,102 (or 1.3%) higher than the FY 2004/2005 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 34.85 to 33.35 due to the elimination of a vacant Recreation Supervisor I position. This reduction will create additional work for the remaining Recreation Supervisors and will force the department to eliminate certain teen services, including the Teen Multicultural Festival, the "Outreach-A-Teen" scholarship fundraising campaign, and Camp T.U.F.F. teen summer adventure camp. In addition, the loss of this position will necessitate the elimination of the liaison function to many community programs, such as school resource officers, youth diversion programs, youth group homes, the Bridges Intervention program, and the Tri-City Health Center.

In addition to the reduction in staffing, the General Fund transfer to Recreation will be reduced by $500,000 for FY 2005/06. This reduction in funding, which is a one-time occurrence, will force the department to consume some of its fund balance in order to sustain programs previously paid for by General Fund monies. Finally, risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

**Recreation Historical Authorized Staffing**



Staffing by Function
FY 2005/06
33.35 Permanent Full-Time Equivalents

## Parks & Recreation

Parks & Recreation Director 1.0
Business Manager 1.0
Executive Assistant .5

**Administrative & Support Services**
Deputy Director of Recreation 1.0
Management Analyst II 1.0
Senior Accounting Specialist .5
Accounting Specialist II .5
Office Specialist II 1.75

**Park Planning & Development**
Park Planning Manager 1.0

**Park Visitor Services/Security**
Recreation Supervisor II 1.0
Park Ranger 4.75
Office Specialist II 1.0

**Recreation Services**
Recreation Supervisor II 5.0
Recreation Supervisor I 6.0
Tennis Operations Supervisor 1.0
Tiny Tot Specialist 2.6
Facility & Supply Specialist 1.0
Facitily & Supply Worker 1.0
Senior Accounting Specialist .5
Office Specialist II 1.25
*Program Staff (approimately) 240.0**

**Part-time Recreation Instructors and staff not counted as full-time equivalents*

# Police

***Mission:*** *To protect people and property by initiating, receiving, and responding to certain calls for service; stabilizing dangerous and violent situations; conducting investigations; arresting offenders; and enforcing the vehicle code.*

**Description of Responsibilities and Services**

The Police Department is responsible for the safeguarding of citizens' lives and property, the preservation of constitutional rights, and neighborhood problem solving. In FY 2005/06, the Police Department will continue to have a heightened emphasis on homeland security. The major work units—Community Policing Patrol Teams, Traffic Unit, Investigative Services, and Animal Services—are charged with carrying out the department's core responsibilities.

The Community Policing Patrol Teams Division has a key role as first responder to calls for police assistance. The division strives to maintain order, apprehend suspected law violators, and seek long-term solutions to some of the problems and issues important to the community.


The Traffic Unit investigates serious collisions and, when available, will enforce the vehicle code in an effort to proactively control the violations that result in collisions.

Investigation Services has the primary responsibility for investigations involving felony crimes such as homicide, robberies, sex crimes, child abuse, kidnapping, some burglaries, assault, and other criminal offenses. The unit actively investigates these crimes and coordinates resources involving in-depth, multi-jurisdictional investigations.

The Tri-City Animal Shelter is located in Fremont and, through agreements with Newark and Union City, provides limited, high-quality services to animals and to the community. The Animal Shelter is responsible for animal-related calls for service, adoption outreach and support, vector control, a spay/neuter clinic, pet licensing, and rabies control.

The Police Department's core services are supported by several other work units, including: the Office of the Chief of Police, the Office of Professional Standards, which includes Press Information and the Terrorism Task Force, the Office of Business Services, the Police Communications Center, Forensic Services, the Property and Evidence Unit, the Records Unit, the Police Personnel and Training Unit, the Fremont Detention Facility, and the Crime Watch Unit, which is charged with maintaining Neighborhood Watch and Business Watch crime prevention efforts.

Members of the Fremont Police Department actively participate in a limited number of regional task force groups, including the Joint Federal Terrorism Task Force, Southern Alameda County Narcotics Enforcement Team, Rapid Enforcement Allied Computer Team Task Force, and the Gang Violence Suppression Task Force.

The Crime Analysis Unit is responsible for the research and analysis of criminal activity in order to provide recommendations for responses to or the prevention of crime within the City. The unit is also responsible for preparing technical and analytical reports regarding crime trends in order to identify potential hotspots and provide recommendations for staffing allocation.

**Service Objectives**

- Within the limited resources available, prioritize and provide basic police services at the highest level of effectiveness possible.
- Continue to study alternative methods of delivering police services that are not in response to life-threatening situations, focusing on what types of calls for service can be diverted to on-line reporting.
- Focus on operational integrity during ordinary and unusual circumstances, including preparation for participation in terror response, identifying regional resources, and formulating plans to respond to major events.
- Focus traffic enforcement and safety activities on the highest priorities in order to maximize effectiveness.
- Develop an inmate worker (trustee) program at the detention facility to reduce the workload of existing staff.
- Develop strategies to ensure that services in the Tri-City Animal Shelter remain in compliance with the minimum State mandated requirements.
- Streamline the special event permit process by surveying past event-holders about possible improvements.
- Research an ordinance that would allow a cost recovery system for 9-1-1 telephone call disconnects to reduce the number of disconnected 9-1-1- calls.
- Conduct leadership training for all managers and supervisors over an 18-month period to prepare staff for future leadership positions in the organization.
- Continue development of a two-year strategic plan to guide the Department through uncertain economic conditions by developing realistic goals for staff.

- Strengthen National Night Out participation in the community by gathering previous hosts to network and share ideas, and increase support for this event within the City organization.

- Assemble a community committee to coordinate an entry in the July 4th parade to promote participation in National Night Out.

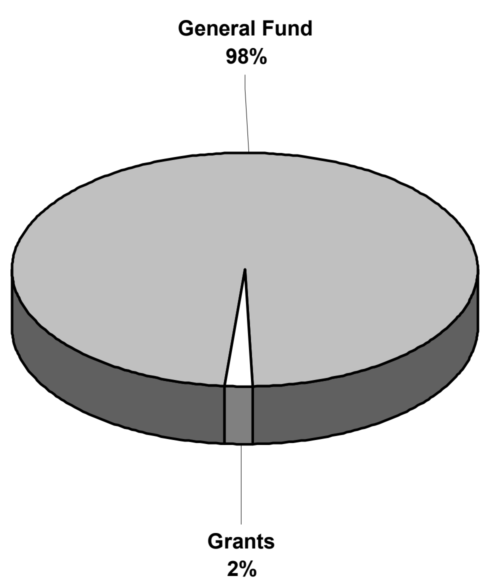
- Reinforce the importance of CERT (Community Emergency Response Team) at the block level by incorporating basic disaster preparedness information into Neighborhood Crime Watch meetings.

- Improve access to information about neighborhood-based involvement opportunities, crime prevention, and community information by linking the Crime Watch Unit's website to the Police Department and the City of Fremont websites.

- Complete an assessment of staffing needs and workload to plan for rebuilding the organization when resources become available in the future.

**Police Sources of Funding**

FY 2005/06: $ 47,293,412



## Police Expenditures
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $32,354,658 | $31,424,510 | $32,007,995 | $37,589,151 | $37,819,624 | $39,849,594 |
| Operating Expenditures | 3,270,102 | 2,806,507 | 2,787,677 | 3,108,185 | 3,362,006 | 3,051,263 |
| Capital Expenditures | 722,764 | 110,745 | 127,596 | 141,250 | 104,329 | 119,470 |
| Indirect Expense Allocation | 3,599,371 | 3,549,383 | 3,508,973 | 3,649,418 | 3,649,418 | 4,273,085 |
| **TOTAL EXPENDITURES** | **$39,946,895** | **$37,891,145** | **$38,432,241** | **$44,488,004** | **$44,935,377** | **$47,293,412** |

% increase/(decrease), including all funds, from FY 2004/05 5.2%

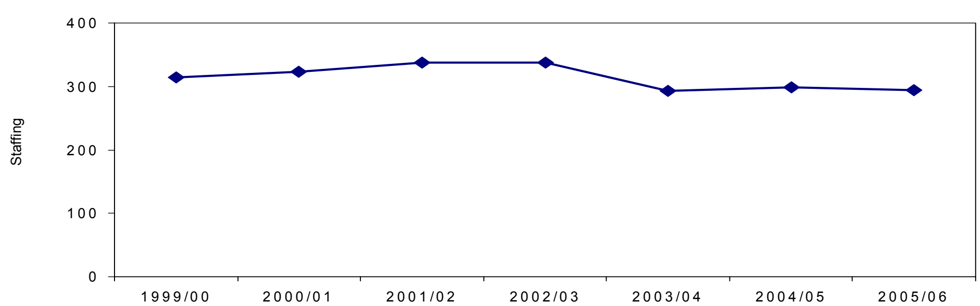
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Police Department budget is $2,358,035 (or 5.2%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 299.1 to 294 as a result of the elimination of the Neighborhood Resources Manager position, one Community Engagement Specialist position, two Dispatcher positions, and one Community Service Officer position. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

During FY 2004/05, the Police Department disbanded the Office of Neighborhoods after the departure of the Neighborhood Resources Manager and one Community Engagement Specialist. The remaining personnel have been reassigned, with the two Neighborhood Organizers focusing on Neighborhood Watch and the Management Analyst working on tow hearings and ARO hearings, thereby freeing up time for Police Sergeants assigned to Traffic to focus on supervision.

### Police Historical Authorized Staffing



# Police

Staffing by Function FY 2005/06
294.0 Permanent Full-Time Equivalents

**Chief's Office**
Police Chief 1.0
Police Officer 2.0
Executive Assistant 1.0

**Business Services**
Business Manager 1.0
Accounting Technician 1.0
Senior Accounting Specialist 2.0
Senior Office Specialist 1.0
Community Service Officer 1.0
*Public Service Assistant 0.5**

**Community Policing Patrol Teams**
Police Captain 1.0
Police Lieutenant 4.0
Police Sergeant 18.0
Police Officer 104.0
Community Service Officer 9.0
Administrativee Assistant 1.0
*Public Service Assistant 18.0**
*(Equipment Room)*

**Office of Professional Standards & Accountability**
Police Sergeant 2.0

**Investigative Services**
Police Captain 1.0
Police Lieutenant 1.0
Police Sergeant 7.0
Police Officer[1] 41.0
Community Service Officer 3.0
Community Engagement Specialist 2.0
Crime Analysis Manager 1.0
Crime Analyst 1.0
Detention Supervisor 4.0
Detention Technician 12.0
Traffic Project Manager 1.0
Management Analyst II 1.0
Administrative Assistant 1.0
Senior Office Specialist[2] 1.0
Records Specialist[II] 2.0
Office Specialist II 2.0
*Public Service Assistant 4.0**
*(Armory, Court, Jail)*

**Administrative Support Services**
Police Captain 1.0
Police Lieutenant 1.0
Police Sergeant 3.0
Police Officer 1.0
Chief Forensic Specialist 1.0
Community Service Officer 1.0
Dispatch Supervisor 4.0
Dispatcher 19.0
Dispatch Technician 2.0
Property Technician 3.0
Animal Services Supervisor 1.0
Animal Services Officer 4.0
Systems Analyst/Programmer 1.0
Computer Specialist 2.0
Police Records Administrator 1.0
Administrative Assistant 1.0
Records Supervisor 3.0
Senior Office Specialist 2.0
Records Specialist 8.0
Office Specialist II 2.0
Records Assistant 3.0
*Public Service Assistant 27**
*(Animal Services and Equipment Room)*
*(Records, Animal Services)*

**Temporary, part-time positions not counted in full-time equivalents*

[1] Six School Resource Officers funded 50:50 by Fremont Unified School District and City of Fremont.

[2] Senior Office Specialist assigned to SACNET, Narcotic Task Force

# Administrative Systems Group

***Mission:*** *To meet customers' expectations by giving consistently excellent service through the processes, procedures, and systems that support the functions of city government.*

### Description of Responsibilities and Services

The Administrative Systems Group (ASG) is comprised of the following departments: City Manager, City Attorney, City Clerk, Human Resources, Finance, Public Buildings, Fleet Maintenance, and Information Systems. The ASG provides systems, processes, and services that support the City Council and other internal government functions. Representatives from the ASG departments coordinate to lead the group toward a strong customer focus, improving the integration of the systems and processes that span departments, and providing accountability through administrative oversight. The ASG focuses on those processes that most affect the ability of City government to provide quality customer service in a cost effective and innovative manner.

### Service Objectives

- Assess community support for City services and provide an opportunity for citizens to communicate with the City Council and City staff about their vision for the future of Fremont.

- Support and create opportunities for the City Council to play a leadership role at the regional, state, and national level on issues of importance to the community; foster effective relationships with partner agencies at the local level on behalf of the community.

- Enhance interagency collaboration and build relationships with other public agencies to ensure efficient and effective service delivery among shared customers.

- Provide strong leadership within the City organization by ensuring the City attracts, retains, and develops the best and brightest employees.

- Support major economic development activities, including implementation of the Pacific Commons project, implementation of the Central Business District Plan, development of the Warm Springs Specific Plan centered around the BART Warm Springs extension, and development of Capitol Avenue/Downtown.

- Support the redevelopment of unified project sites in Centerville and Niles.

- Support City departments developing solutions to the current fiscal challenges, including further cost reductions and new revenue sources.

- Research and advise policy makers on alternatives for new revenue sources that support services desired by the community.

- Review and improve revenue collection procedures to maximize the amount of revenue collected while minimizing the cost of collection.

- Update the City's Master Fee Ordinance to ensure that charges for services are aligned with the cost of providing the services.

- Update and refine cost allocation methods for internal services such as information systems and risk management to more accurately reflect the costs of services to the community.

- Provide training on new purchasing procedures to ensure practices are consistent with the purchasing ordinance.

- Begin designing a citywide performance appraisal system to more uniformly measure performance and enhance employee development.

- Provide employee/labor relations support and advice to City departments, thereby facilitating collaborative and effective labor relations management.

- Revise the Personnel Rules and Regulations to reflect current statutory requirements and City policies and practices.

- Participate in a multi-agency consortium in an effort to develop and maximize health care benefit choice.

- Design and deliver citywide supervisory harassment and discrimination training to ensure compliance with new State legislation.

- Provide safety training and loss control prevention to all City departments and employees to reduce the number of incidents citywide.

- Provide leadership and effective representation for the City of Fremont on the Executive Boards of both the California Joint Powers Risk Management Authority and LAWCX (Local Agency Workers' Compensation Excess Authority).

- Initiate a "best practices" review of the workers' compensation program to look for potential money-saving initiatives.

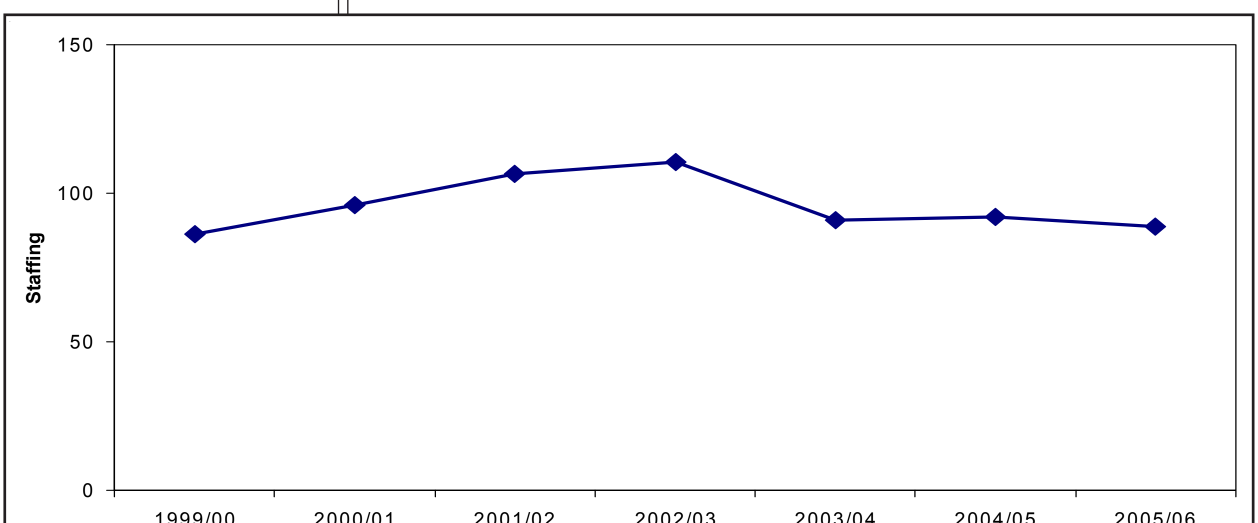
- Continue to manage and streamline the City Council agenda process and provide prompt responses to public requests for information.

- Continue City policy documentation improvements, including updating the Municipal Code, Resolutions, Ordinances, and other City documents.

- Continue to develop records retention schedules for City departments to ensure consistent and lawful practices for securing and managing all city records in accordance with the Records Management Policy.

- Complete the cyclical upgrade of the Peoplesoft HR/Payroll application, which will be the last one required for several years.
- Complete the Police CAD/RMS upgrade and install a new Jail and Property Management application to support streamlined operations in the Police Department.
- Eliminate the backlog of upgrades to the financials application package.
- Develop an on-line employment application process for City jobs, allowing expanded use of existing technology.
- Complete a major upgrade of the Human Services clinical record keeping application, including changes in the billing software.
- Convert all historic data from HP 3000 systems to new software to make the historic records more accessible to staff.
- Evaluate the possibility of converting GIS systems to a new geo-database model to improve efficiency in data maintenance and allow more flexibility in creating GIS applications for internal and public use.
- Begin implementation of stringent new security procedures as required by new federal and state laws.

**Administrative Systems Group Historical Authorized Staffing**



***Mission:*** *To provide supportive leadership, creating an environment in which all employees, the City Council, and the community, working together, can use their abilities to the fullest extent to provide valued services to the community, giving shape and action to the City Council's policies and goals.*

**Description of Responsibilities and Services**

The City Manager's Office is responsible for providing support and advice to the City Council, offering leadership and policy support for departments, fostering community partnerships and interagency collaboration, connecting citizens with their community, providing legislative policy support, performing internal audits, and championing the organization's continuing transformation to a highly customer-focused, results-oriented, entrepreneurial team.

The City Manager's Office supports the City Council's efforts to engage in legislative advocacy on the local, state, and national levels to advocate the City's interests and increase the City's influence as a leader. Similarly, it leads efforts to publicize Fremont's innovative programs, services, and best practices to enhance the City's visibility and role as a leading local government agency.

**City Manager's Office Expenditures**
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 457,853 | $ 501,336 | $ 491,557 | $ 581,083 | $ 595,763 | $ 576,402 |
| Operating Expenditures | 232,312 | 66,644 | 74,290 | 73,762 | 140,856 | 123,896 |
| Capital Expenditures | 967 | 7,826 | - | 5,500 | 8,000 | 8,080 |
| Indirect Expense Allocation | 72,369 | 69,903 | 60,014 | 61,563 | 61,563 | 59,398 |
| **TOTAL EXPENDITURES** | **$ 763,501** | **$ 645,709** | **$ 625,861** | **$ 721,908** | **$ 806,182** | **$ 767,776** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (4.8%) |

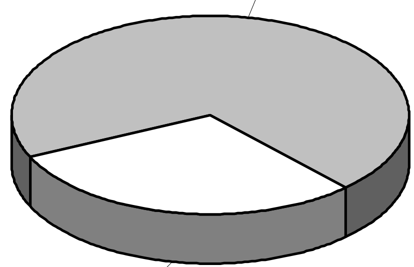
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 City Manager's budget is 38,406 (or 4.8%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. There is no change in authorized staffing levels for FY 2005/06. In FY 2005/06, the City Manager's Office is transferring funds to the City Clerk's Office for the maintenance of the audio-visual equipment in the City Council Chambers. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

**City Manager's Office Sources of Funding**

FY 2005/06: $ 767,776



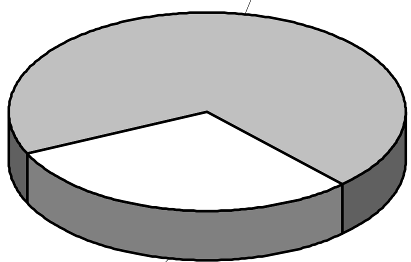

Staffing by Function
FY 2005/06
3.0 Permanent Full-Time Equivalents

**City Manager's Office**

City Manager 1.0
Intergovernmental Relations Manager 1.0
Executive Assistant to the City Manager 1.0

## Administration Systems Office Sources of Funding

FY 2005/06: $ 990,354




## Administrative Systems Office Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 334,565 | $ 347,073 | $ 583,033 | $ 655,800 | $ 924,254 | $ 706,254 |
| Operating Expenditures | 98,307 | 132,974 | 101,181 | 72,500 | 206,996 | 180,760 |
| Capital Expenditures | - | - | - | 3,500 | 8,000 | 8,080 |
| Indirect Expense Allocation | 9,633 | 41,454 | 96,748 | 101,470 | 101,470 | 95,260 |
| **TOTAL EXPENDITURES** | **$ 442,505** | **$ 521,501** | **$ 780,962** | **$ 833,270** | **$ 1,240,720** | **$ 990,354** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (20.2%) |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 Administrative Systems Office budget is $250,366 (or 20.2%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. These increases are partially offset by a reduction in the number of authorized positions from 6.5 to 5.3 because of the retirement of the Deputy City Manager/Chief Financial Officer, the elimination of one Senior Manager position, and the reassignment of the other Senior Manager to a new Deputy City Manager position. (This Senior Manager's position was previously split with the Development and Environmental Services Department, with the Administrative Systems Office paying 20% of the salary.) Like the City Manager's Office, the Administrative Systems Office is transferring funds to the City Clerk's Office for the maintenance of the audio-visual equipment in the City Council Chambers. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
5.3 Permanent Full-Time Equivalents

**Administrative Systems Office**

Assistant City Manager/City Clerk 0.3
Deputy City Manager 1.0
Management Analyst II 2.0
Support Specialist 2.0

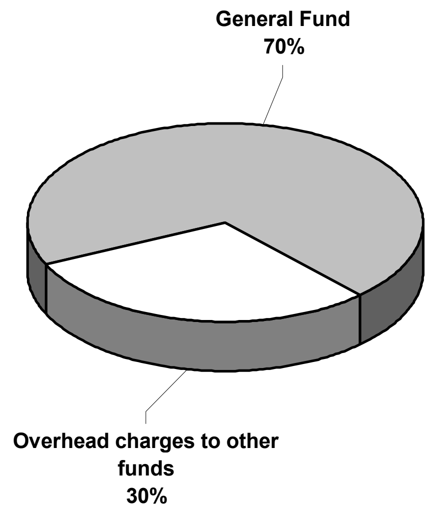
***Mission:*** *The primary mission of the City Attorney's Office is to provide the City Council and staff with cost effective, innovative, customer-focused, high quality representation and legal advice.*

## Description of Responsibilities and Services

The City Attorney's Office provides day-to-day legal services to the City, from defending lawsuits to acquiring property. Staff attorneys advise the City Council, commissions, boards, and staff on legal matters such as land use regulations, potential liability for City actions, and compliance with federal and state mandates. The office assists the City in negotiating complex agreements, including labor agreements, public/private partnerships, and redevelopment agreements. The office also manages the Risk Management program for all City departments, including workers' compensation administration.

**City Attorney Sources of Funding**

FY 2005/06: $ 1,568,515



## City Attorney Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,108,794 | $ 1,317,590 | $ 1,183,887 | $ 1,245,039 | $ 1,245,039 | $ 1,294,160 |
| Operating Expenditures | 396,060 | 232,312 | 228,507 | 194,984 | 194,984 | 196,935 |
| Capital Expenditures | 981 | - | - | - | - | - |
| Indirect Expense Allocation | 85,564 | 79,098 | 70,968 | 73,790 | 73,790 | 77,420 |
| **TOTAL EXPENDITURES** | **$ 1,591,399** | **$ 1,629,000** | **$ 1,483,362** | **$ 1,513,813** | **$ 1,513,813** | **$ 1,568,515** |

% increase/(decrease), including all funds, from FY 2004/05 3.6%

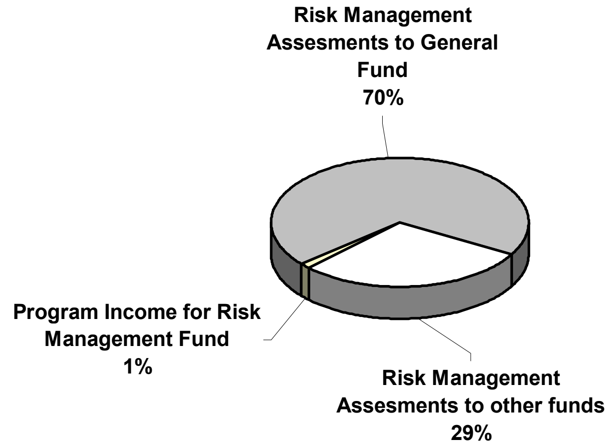
* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 City Attorney's Office budget is $54,702 (or 3.6% higher) than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 8 to 7.75 as a result of the elimination of partial funding for the Legal Secretary, who works a reduced schedule. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

## Risk Management Sources of Funding

FY 2005/06: $ 5,861,152




## Risk Management Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 249,210 | $ 287,704 | $ 299,912 | $ 265,940 | $ 337,387 | $ 354,469 |
| Operating Expenditures | 4,467,985 | 4,033,719 | 7,548,128 | 5,133,814 | 5,735,555 | 5,506,683 |
| Capital Expenditures | 25,972 | 11,489 | - | - | - | - |
| Indirect Expense Allocation | 5,766 | 5,310 | 5,532 | 5,744 | 5,744 | - |
| **TOTAL EXPENDITURES** | **$ 4,748,933** | **$ 4,338,222** | **$ 7,853,572** | **$ 5,405,498** | **$ 6,078,686** | **$ 5,861,152** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | (3.6%) |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Risk Management budget is $217,534 (or 3.6%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. There is no change in authorized staffing levels for FY 2005/06. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
10.75 Permanent Full-Time Equivalents

**City Attorney's Office**

City Attorney 1.0
Assistant City Attorney 1.0
Senior Deputy City Attorney II 1.0
Senior Deputy City Attorney 1.0
Deputy City Attorney 1.0
Law Office Supervisor 1.0
Paralegal II 1.0
Legal Secretary 0.75

**Risk Management**

Risk Manager 1.0
Risk Management Technician 1.0
Safety Coordinator 1.0

## City Clerk

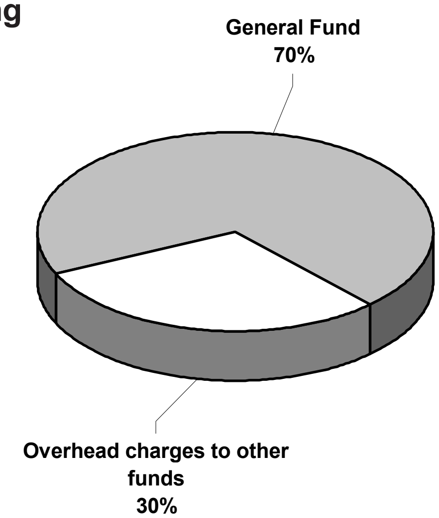
***Mission:** Ensure citizens' trust in government by supporting the City's legislative process and providing open, accurate and timely legislative history; safeguarding all official records of the City; administering open and free elections; and providing information and services to support the City Council, staff, and the public.*

**Description of Responsibilities and Services**

The Office of the City Clerk oversees the preparation of the City Council agenda; records the City Council's actions in official minutes; maintains a computerized legislative history; and is responsible for safeguarding official documents. The City Clerk is the elections officer for the City and is responsible for the administration of all general and special municipal elections. The City Clerk is the administrator and filing officer for the Fair Political Practices Commission and City of Fremont Conflict of Interest Regulations. The Office of the City Clerk oversees a records management system that provides for the electronic research and storage of City records; distributes mail to City facilities; and administers the contract for off-site print services.

**City Clerk Sources of Funding**

FY 2005/06: $ 1,234,315



## City Clerk Expenditures
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 595,056 | $ 675,706 | $ 488,249 | $ 548,400 | $ 636,449 | $ 614,977 |
| Operating Expenditures | 709,854 | 682,409 | 412,498 | 474,059 | 500,679 | 491,133 |
| Capital Expenditures | - | - | - | - | - | - |
| Indirect Expense Allocation | 118,904 | 144,920 | 123,401 | 128,338 | 128,338 | 128,205 |
| **TOTAL EXPENDITURES** | **$ 1,423,814** | **$ 1,503,035** | **$ 1,024,148** | **$ 1,150,797** | **$ 1,265,466** | **$ 1,234,315** |

% increase/(decrease), including all funds, from FY 2004/05 (2.5%)

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY 2005/06 City Clerk's Office budget is $31,151 (or 2.5%) lower than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. These increases are partially offset by a reduction in the number of authorized positions from 7.4 to 6.4 as a result of the elimination of a vacant Office Specialist position. Operating expenditures include the transfer of funds from the City Manager's Office and the Administrative Systems Office to the City Clerk's Office to pay for the maintenance of the audio-visual equipment in the City Council Chambers. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
6.4 Permanent Full-Time Equivalents

**City Clerk**

Assistant City Manager/City Clerk 0.4
Deputy City Clerk 2.0
Office Specialist II 2.0
Office Specialist I 2.0

***Mission:*** *To assist the City Council, City Manager, and operating departments in prudently managing financial resources by providing accurate information and high-quality business planning and financial services, including budgeting, debt management, accounting, purchasing, revenue management, and payables.*

**Description of Responsibilities and Services**

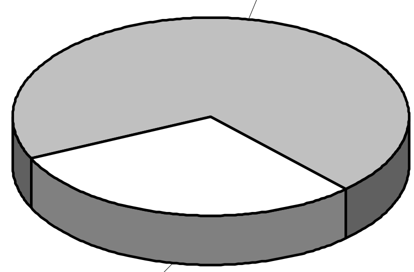
The Finance Department is responsible for providing financial information, policy analyses, and recommendations that help the City Council and all City departments make decisions about how to best allocate the City's resources. In FY 2005/06, the Department's chief priority will be to support the organization's immediate and long-range resource allocation decisions in response to continued economic and State government uncertainty. In this role, staff will facilitate efforts to evaluate the effects of budget reductions on service levels, assist departments with business planning, support citywide economic development projects, and provide recommendations on any proposals with a financial impact.

The department will continue performing its core responsibilities, including:

- accounting for the City's resources and disclosing the financial condition of the City and results of its operations in the year-end comprehensive annual financial report;
- monitoring local business and economic trends for effects on the City's revenue sources;
- preparing and monitoring the annual operating budget;
- providing accounts payable and purchasing services;
- collecting and auditing all locally-controlled revenues, including taxes, charges, and fines; and
- managing the City's investment and banking functions.

## Finance Sources of Funding

FY 2005/06: $ 3,424,970




## Finance Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 2,182,432 | $ 2,261,314 | $ 2,524,120 | $ 2,616,298 | $ 2,785,801 | $ 2,900,117 |
| Operating Expenditures | 516,358 | 395,273 | 353,858 | 476,363 | 446,929 | 364,603 |
| Capital Expenditures | 14,242 | 7,574 | 745 | - | - | - |
| Indirect Expense Allocation | 191,799 | 172,338 | 153,625 | 159,773 | 159,773 | 160,250 |
| **TOTAL EXPENDITURES** | **$ 2,904,831** | **$ 2,836,499** | **$ 3,032,348** | **$ 3,252,434** | **$ 3,392,503** | **$ 3,424,970** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 1.0% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

**Major Changes for FY 2005/06**

The FY2005/06 Finance Department budget is $32,467 (or 1.0%) higher than the FY 2004/2005 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by a reduction in the number of authorized positions from 26.4 to 25.75 due to the elimination of the vacant Budget and Accounting Manager position. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
25.75 Permanent Full-Time Equivalents

**Finance**

Finance Director 1.0
Assistant Finance Director 1.0
Budget Manager 1.0
Management Analyst II 1.0
Executive Assistant 1.0

**Budget and Accounting Services**

Senior Accountant 2.0
Accountant 3.0
Accounting Technician 1.0

**Treasury**

Revenue & Treasury Manager 1.0
Accounting Technician 1.0

**Purchasing/Accounts Payable**

Operations Supervisor 1.0
Accounting Specialist II 4.0

**Revenue**

Operations Supervisor 1.0
Revenue Collector/Auditor 2.0
Accounting Specialist II 2.75
Accounting Specialist I 1.0

**Information Systems**

Systems Analyst / Programmer 1.0

Human Resources

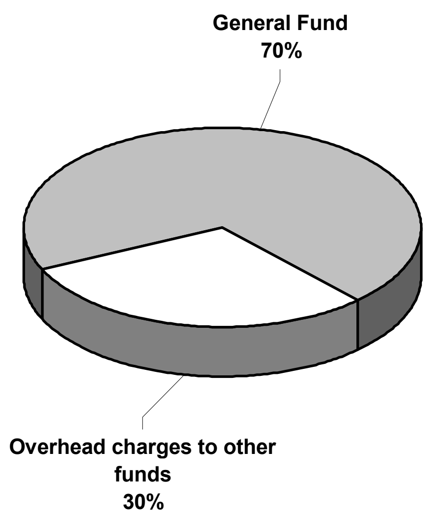
**Mission:** *To provide innovative and essential Human Resource programs that support the delivery of quality services to the community by attracting and retaining a highly qualified workforce and encouraging individual and organizational development.*

**Description of Responsibilities and Services**

Human Resources is responsible for providing specialized assistance to other City departments in their leadership and management of the City. In order to accomplish this objective, services are provided in the following functional areas: labor and employee relations, including the development and administration of Memoranda of Understanding with bargaining units; employee and organizational development; staff selection and compensation; and payroll, benefits, and retirement.

**Human Resources Sources of Funding**

FY 2005/06: $ 2,173,299



## Human Resources Expenditures

Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,477,649 | $ 1,094,416 | $ 1,495,901 | $ 1,648,470 | $ 1,736,025 | $ 1,889,023 |
| Operating Expenditures | 299,720 | 91,751 | 202,953 | 180,038 | 197,961 | 196,556 |
| Capital Expenditures | 20,328 | 7,140 | 4,606 | 302 | - | - |
| Indirect Expense Allocation | 97,492 | 88,054 | 85,368 | 88,791 | 88,791 | 87,720 |
| **TOTAL EXPENDITURES** | **$ 1,895,189** | **$ 1,281,361** | **$ 1,788,828** | **$ 1,917,601** | **$ 2,022,777** | **$ 2,173,299** |

% increase/(decrease), including all funds, from FY 2004/05 7.4%

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY 2005/06 Human Resources budget is $150,522 (or 7.4%) higher than the FY 2004/05 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. This increase is partially offset by the elimination of a .50 FTE customer service position previously shared with the City Clerk's Office. This position was never filled. In an effort to meet customer service needs, the Human Resources Department has also reallocated an Office Specialist II position from the Labor Relations Division to the Recruitment/Class/Compensation Division. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are decreasing as a result of a reallocation of costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
17.0 Permanent Full-Time Equivalents

## Human Resources

**Administration**
Human Resources Director 1.0
Executive Assistant 1.0

**Recruitment/Class/Compensation**
Employment Services Manager 1.0
Human Resources Analyst 1.0
Human Resources Technician II 2.0
Office Specialist II 1.0

**Labor Relations**
Labor Relations Officer 1.0
Labor/Employee Relations Analyst 1.0

**Benefits/Payroll**
Benefits & Payroll Manager 1.0
Benefits/Payroll Supervisor 2.0
Human Resources Technician II 5.0

# Information Systems

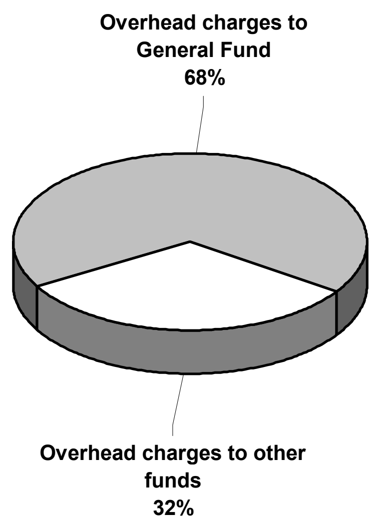
***Mission:*** *To maintain and enhance the computer and telecommunications technology of the organization to provide employees and the public with access to information, including installation, training, and support.*

**Description of Responsibilities and Services**

Information Systems is responsible for maintaining computer, telecommunications, and data network communication services to support the operations of the City organization. Information Systems coordinates the implementation of appropriate technologies to ensure these systems fulfill the department missions and integrate wherever possible with the City organization. Information Systems staff also advise departments on computer and communication matters, provide employee computer training, and support technology projects.

**Information Systems Sources of Funding**

FY 2005/06: $ 4,305,274



## Information Systems Expenditures
Fiscal Year 2005/06

| | 2001/02 Actual | 2002/03 Actual | 2003/04 Actual | 2004/05 Estimated Actual | 2004/05* Adjusted Budget | 2005/06 Proposed Budget |
|---|---|---|---|---|---|---|
| Salaries & Benefits | $ 1,734,110 | $ 2,052,552 | $ 2,015,399 | $ 2,106,085 | $ 2,189,793 | $ 2,396,807 |
| Operating Expenditures | 1,102,058 | 1,246,497 | 530,860 | 1,021,473 | 1,209,960 | 999,639 |
| Capital Expenditures | 500,889 | 113,294 | 117,263 | 466,208 | 366,630 | 370,296 |
| Indirect Expense Allocation | 581,117 | 605,966 | 491,951 | 506,566 | 506,566 | 538,532 |
| **TOTAL EXPENDITURES** | **$ 3,918,174** | **$ 4,018,309** | **$ 3,155,473** | **$ 4,100,332** | **$ 4,272,949** | **$ 4,305,274** |
| % increase/(decrease), including all funds, from FY 2004/05 | | | | | | 0.8% |

* Department budget adjustments commonly include encumbrances, which represent obligations from the prior year for expenses paid in the current year, and interfund transfers for costs budgeted in the non-departmental budget but incurred in departments, such as accrued employee leave cash-out.

### Major Changes for FY 2005/06

The FY2005/06 Information Systems budget is $32,325 (or .8%) higher than the FY 2004/2005 adjusted budget. Employee salaries and benefits are increasing as a result of negotiated bargaining unit agreements. The number of authorized personnel is remaining constant at 20.4 FTE. Risk management costs, which are included in the "Indirect Expense Allocation" expenditure category, are increasing as a result of increased claims costs and a reallocation of these costs among departments where claims activity occurs.

Staffing by Function
FY 2005/06
20.4 Permanent Full-Time Equivalents

**Information Systems**
Chief Technology Officer 1.0
Systems Analyst/Programmer 0.2
Accounting Specialist II 0.9

**Business Systems**
Senior Programmer Analyst 1.0
Systems Analyst/Programmer 5.8

**Phone & Voicemail Support**
Data Processing/Telecom. Tech. 1.0
Support Specialist 0.1

**Personal Computer & Network Support**
Computer Network Administrator 2.0
Computer Specialist 4.0
Systems Application Specialist III 1.0

**Geographic Information**
Senior Programmer Analyst 0.9
Computer Specialist 1.0
Systems Application Specialist III 1.5

# Permanent Position Summary

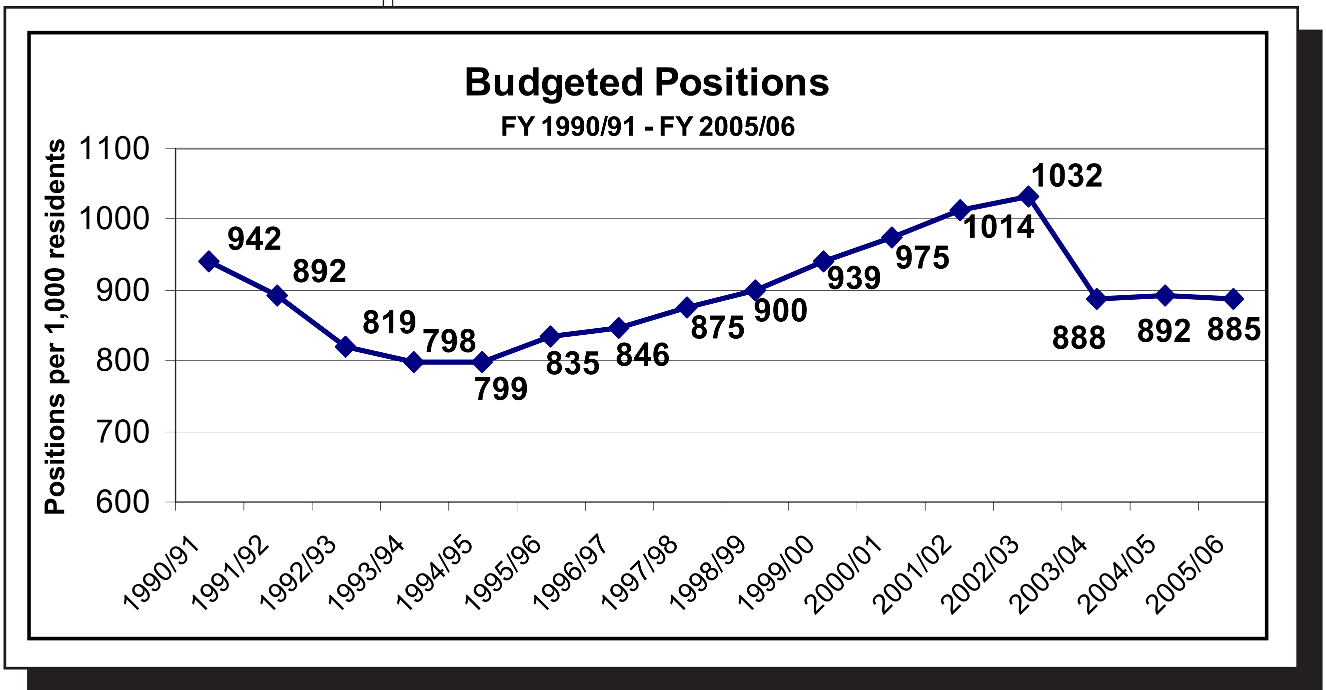
The FY 2005/06 budget includes 884.6 full-time equivalent (FTE) permanent positions, a decrease of 7.7 FTEs from the FY 2004/05 adopted staffing level. In relation to Fremont's population, **this is the lowest staffing level in at least 16 years, and it is the lowest in Alameda County.** The FY 2005/06 budget includes reductions in all areas except core public safety services. In many departments, these budget reductions are prompting further staffing reductions, which reflect continued reductions of service to the community.

- Maintenance will have 2.75 fewer FTEs to maintain public facilities, extending the cumulative loss in permanent staffing since FY 2002/03 to 23.7 FTEs, or a 15% decrease since FY 2002/03.
- The Police Department eliminated its remaining neighborhood activation support programs and two associated positions. The department is also eliminating two dispatcher positions that had been part of the strategy to transition to a contract for Fire dispatch services. An additional non-sworn vacant position that was approved for FY 2004/05 is being eliminated. That position was to have been funded by a new fee that was never adopted.
- Administrative departments will have 3.6 fewer FTEs than in FY 2004/05, resulting in a 21% lower administrative staffing level than in FY 2002/03.

Virtually all positions added for FY 2005/06 will be funded with restricted, non-General Fund revenue that cannot be used for General Fund service areas such as public safety or maintenance. Details on specific positions added or eliminated may be found in the departmental section of the budget document.

| | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2005/06 |
|---|---|---|---|---|---|---|---|---|
| **PUBLIC SAFETY** | | | | | | | | |
| Fire* | 202.00 | 202.00 | 205.00 | 176.20 | 176.00 | 157.60 | **153.00** | **153.00** |
| Police | 299.75 | 313.75 | 322.75 | 337.75 | 337.75 | 292.90 | **299.10** | **294.00** |
| **TOTAL** | 501.75 | 515.75 | 527.75 | 513.95 | 513.75 | 450.50 | **452.10** | **447.00** |
| **OTHER COMMUNITY SERVICES** | | | | | | | | |
| Development & Environ. Svc | 122.00 | 120.25 | 122.70 | 146.80 | 147.70 | 121.42 | **121.00** | **123.20** |
| Economic Development | 3.24 | 2.75 | 4.00 | 6.00 | 4.70 | 3.64 | **4.75** | **4.64** |
| Human Services | 30.95 | 33.45 | 36.45 | 40.95 | 44.95 | 40.57 | **40.67** | **43.97** |
| Maintenance | 124.00 | 130.00 | 134.00 | 145.00 | 153.00 | 131.50 | **132.05** | **129.30** |
| Parks and Recreation | 37.10 | 37.10 | 39.10 | 38.60 | 40.25 | 36.10 | **34.85** | **33.35** |
| Housing and Redevelopment | 2.26 | 14.00 | 15.30 | 16.05 | 17.35 | 13.04 | **14.68** | **14.54** |
| **TOTAL** | 319.55 | 337.55 | 351.55 | 393.40 | 407.95 | 346.27 | **348.00** | **349.00** |
| **ADMINISTRATIVE SYSTEMS** | | | | | | | | |
| City Manager's Office | 8.70 | 12.00 | 12.00 | 4.00 | 4.00 | 3.00 | **3.00** | **3.00** |
| Administrative Systems Office | | | | 12.00 | 11.10 | 5.50 | **6.50** | **5.30** |
| City Attorney | 6.60 | 9.60 | 11.00 | 13.00 | 13.00 | 12.00 | **11.00** | **10.75** |
| City Clerk | 10.00 | 10.00 | 10.00 | 9.00 | 10.50 | 7.50 | **7.40** | **6.40** |
| Finance | 27.50 | 27.50 | 30.65 | 29.65 | 30.05 | 25.40 | **26.40** | **25.75** |
| Information Systems | 9.30 | 13.00 | 16.00 | 18.00 | 21.00 | 20.40 | **20.40** | **20.40** |
| Human Resources | 17.00 | 14.00 | 16.50 | 21.00 | 21.00 | 17.00 | **17.50** | **17.00** |
| **TOTAL** | 79.10 | 86.10 | 96.15 | 106.65 | 110.65 | 90.80 | **92.20** | **88.60** |
| **CITYWIDE TOTAL** | **900.40** | **939.40** | **975.45** | **1014.00** | **1032.35** | **887.57** | **892.30** | **884.60** |

* Authorized staffing for the Fire Department included 36 FTEs associated with the Union City fire service contract. The contract was dissolved in FY 2000/01.


Budgeted Positions
FY 1990/91 - FY 2005/06
Positions per 1,000 residents
1100
1000
900
800
700
600
942
892
819
798
799
835
846
875
900
939
975
1014
1032
888
892
885
1990/91
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2000/01
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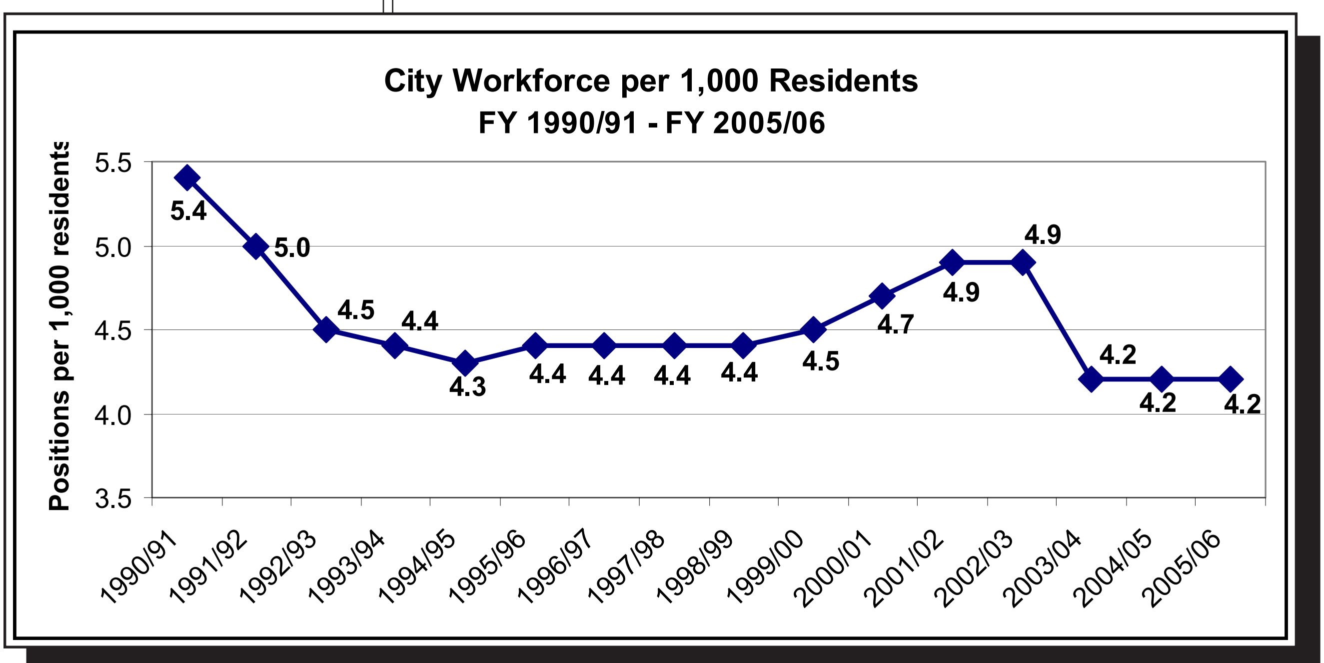
2003/04
2004/05
2005/06

**Historical Perspective**

Throughout the last fifteen years, citywide staffing levels remained relatively stable, despite population growth of approximately 36,000 residents, or nearly 21%. The proposed authorized staffing level for FY 2005/06 is 55.4 positions lower than the FY 1990/91 level. The graph below shows that since a high point in FY 1990/91, Fremont has reduced the City workforce during economic recession, and has been disciplined when adding back staff during times of economic recovery.

Between FY 1990/91 and FY 1993/94, during the recession of the early 1990s, the City eliminated 144 positions. Over the following nine-year period, as Fremont's population grew and the economy expanded, the City added 234 positions, mostly in police, fire, and maintenance services. In February 2003, the City froze more than 100 positions and planned to eliminate approximately 224 positions (164 budgeted and 60 part-time or temporary) as a step toward balancing the budget for FY 2004/05. The number of authorized positions for FY 2003/04 represented a 14% reduction from the level adopted in the FY 2002/03 budget and marked the City's lowest permanent staffing level since FY 1997/98. The FY 2005/06 budget continues the historically low staffing and service levels, with an additional decrease of 5.7 FTEs.

When population growth is considered, staffing levels prove to be even more constant over time. Between FY 1990/91 and FY 1994/95, the City reduced its authorized position count from 5.4 to 4.3 positions per 1,000 residents. Following FY 1994/95, per capita staffing levels remained constant



for four years, and then grew through the economic expansion of the late 1990s, which enabled the City to restore some of the services lost in the early 1990s. The economic recession of 2001 and 2002 compelled the City to reduce its FY 2003/04 staffing level to 4.2 per 1,000 residents, the lowest per capita level ever. The ongoing economic uncertainty is prompting the City to maintain this low level of staffing of 4.2 per 1,000 residents in FY 2005/06.

## Staffing Levels Relative to Other Communities

*As the following table indicates, comparison of staffing levels in neighboring communities reveals that the City of Fremont maintains an extremely low ratio of budgeted positions to residents.*

Fremont's low staffing ratio results from efficient operations, but it is also driven by having limited resources. Fremont has low revenue levels to fund basic services, compared with larger cities, neighboring cities, and cities known for providing a high quality of life.

**Positions per 1,000 Residents**
**FY 2004/05**

| City | 2004 Population | Citywide Positions | Positions per 1,000 Residents |
|---|---|---|---|
| Palo Alto | 60,200 | 701 | 11.64 |
| Oakland | 411,600 | 4,014 | 9.75 |
| Newark | 43,750 | 301 | 6.88 |
| Sunnyvale | 131,700 | 884 | 6.71 |
| San Jose | 926,200 | 5,950 | 6.42 |
| Pleasanton | 67,200 | 414 | 6.16 |
| Livermore | 78,600 | 471 | 5.99 |
| Walnut Creek | 66,000 | 376 | 5.70 |
| Union City | 70,200 | 328 | 4.67 |
| Fremont | 209,100 | 892 | 4.27 |

Source: FY 2004/05 published city budgets & California Department of Finance Population Estimates for 2004.

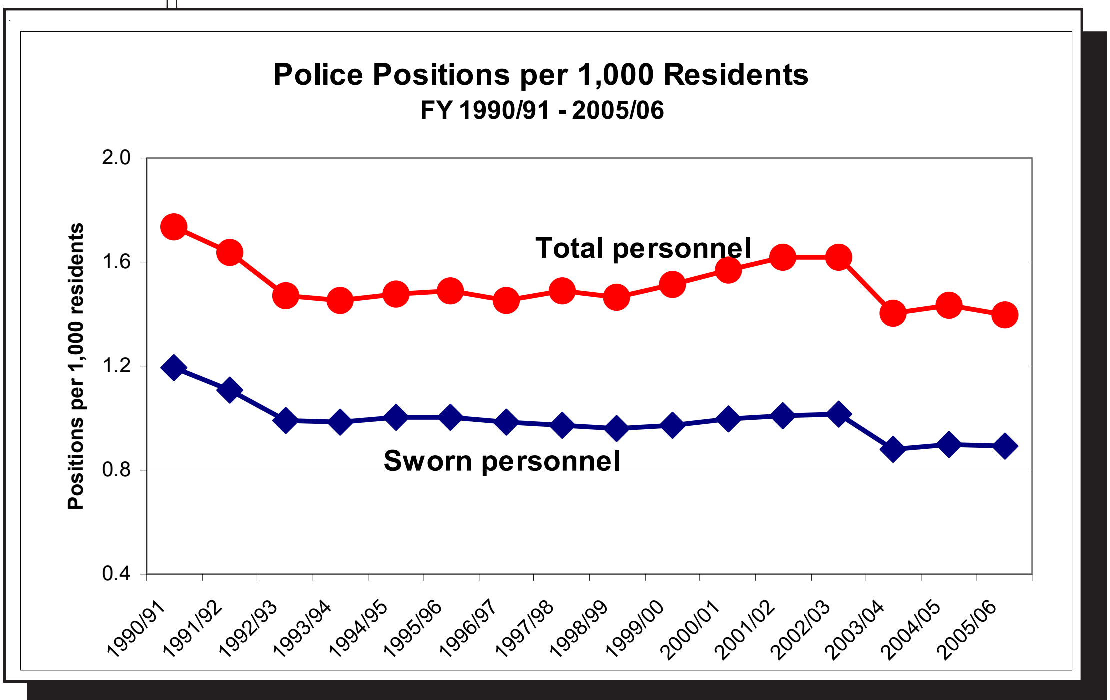
**Note:** Services provided by each community surveyed, and respective funding arrangements, vary widely among cities. The table reflects staffing levels in various communities, with the following adjustments to improve comparability with Fremont:

1. **Palo Alto:** total positions reduced by the number of positions supporting utility, wastewater, stormwater, refuse, and library services (not provided by the City of Fremont).
2. **Oakland:** total positions reduced by the number of positions supporting library services (not provided by the City of Fremont).
3. **Sunnyvale:** total positions reduced by the number of positions supporting water, wastewater, and solid waste services (not provided by the City of Fremont).
4. **San Jose:** total positions reduced by the number of positions supporting art, airport, and library services (not provided by the City of Fremont)
5. **Pleasanton:** total positions reduced by the number of positions supporting library services (not provided by the City of Fremont).
6. **Livermore**: total positions reduced by the number of positions supporting water, airport, and golf services (not provided by the City of Fremont).
7. **Walnut Creek:** although no adjustment has been made, it is noteworthy that fire protection services for Walnut Creek are provided by Contra Costa County; therefore there are no staff budgeted by Walnut Creek for this function.

More than two-thirds of the General Fund budget is allocated for the City Council's priorities of police, fire, and maintenance services. Similarly, almost two-thirds of the FY 2003/04 position reductions were attributable to these departments. The following sections consider staffing trends for public safety and maintenance.

## Police

The Police Department is reducing its staffing level by 1.7%, from 299.1 to 294, in FY 2005/06. All of the eliminated positions are vacant, non-sworn positions.




The FY 2005/06 budget has 43.75 fewer positions than the FY 2002/03 budget. The graph above illustrates that for the five years prior to FY 2003/04, the number of sworn positions remained constant, at one officer per 1,000 residents. For the third consecutive year, the FY 2005/06 staffing level matches an all-time low with a per capita staffing level of 0.9 sworn officers per 1,000 residents.

With fewer staff available, the Police Department has had to adjust staffing assignments to focus on the Department's core operations of emergency response in patrol, a reduced Traffic Unit, and a reduced Investigations Unit. With so few police officers on the street and in detective assignments, the Department has stopped responding to most non-emergency calls for service, implemented a "verified response" alarm policy, reduced traffic patrol efforts, and eliminated drug and gang awareness training in the schools and neighborhoods.

The Police Department has seen a shift in service efficiency in some areas in recent years through the expanded utilization of non-sworn personnel.

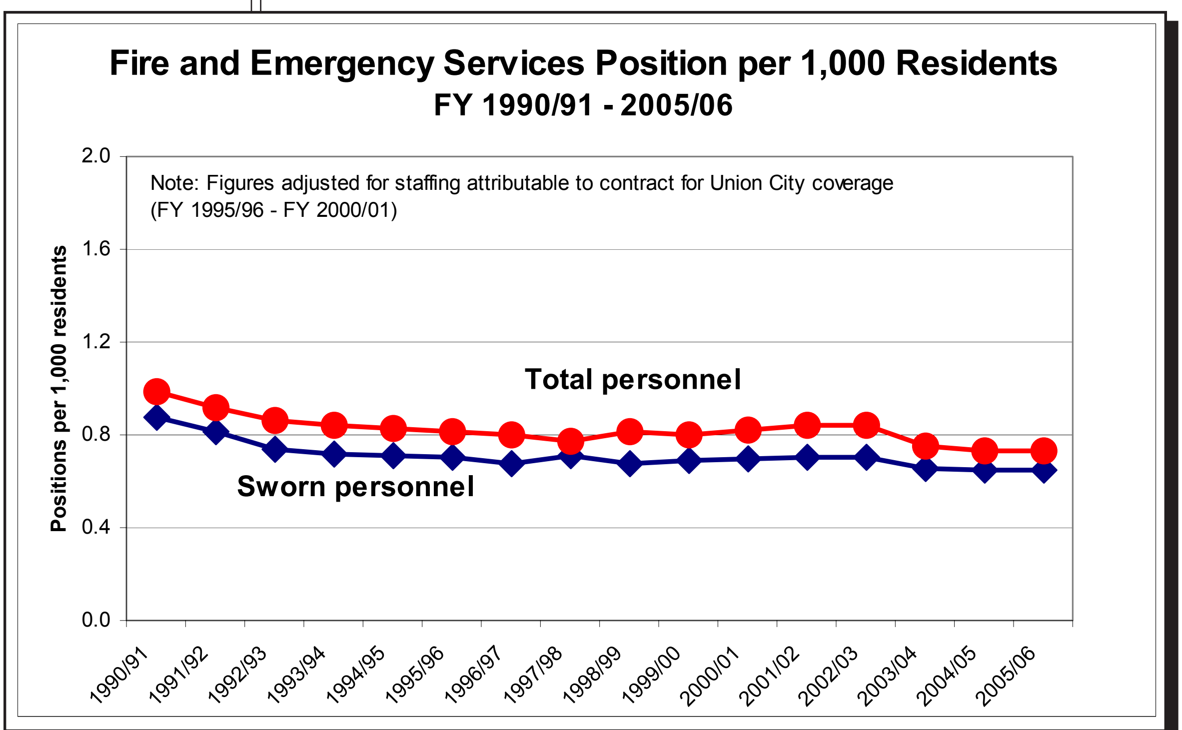
These personnel contribute significantly to community safety through crime prevention education, animal services, forensics, crime analysis, and crime prevention education. Non-sworn employees, specifically community service officers, also provide support for patrol activities (such as traffic accident management, evidence management, and report writing), enabling police officers to focus on emergency response.

The Fremont Police Department has always operated efficiently relative to other communities. In FY 2004/05, Fremont had fewer budgeted sworn police employees per 1,000 residents than any city in Alameda, Contra Costa, and Santa Clara Counties.

## Fire

The Fire Department staffing remains constant for FY 2005/06 at 153 budgeted positions. The graph below illustrates that over the five years prior to FY 2003/04, the number of sworn positions remained constant, at 0.7 firefighters per 1,000 residents. Since then and continuing in FY 2005/06, sworn personnel per 1,000 residents marks the lowest per capita staffing level in Fremont's history at 0.6 positions per 1,000 residents.

In FY 2002/03, in an effort to reduce expenditures and preserve firefighter positions, the Fire Department closed Fire Station 11, the station with the lowest volume of service calls. In December 2003, the Department began a schedule of rotating station closures, closing stations on days when three



or more firefighters are absent from work so as not to pay overtime to fill those absences. Through these proactive measures, the Department has been able to avoid laying off firefighters completely, but daily staffing levels have been reduced, resulting in substantially delayed response times. During FY 2003/04, the City also joined a regional consortium for fire dispatch services to ensure the highest level of public safety communications at a reduced cost.

Over the past 15 years, the Fire Department has provided excellent services with a consistently low staffing level. Even prior to the recent reductions, the Fremont Fire Department operated efficiently compared to other communities. In FY 2004/05, Fremont had fewer budgeted sworn fire employees per 1,000 residents than any city located in the counties of Alameda and Santa Clara. (Sunnyvale employs public safety officers, which serve a dual function of both firefighters and police officers.) Another measure of fire service efficiency is the average area, in square miles, served by each fire station. The Fire Department provides service across Fremont's 92 square miles with only 10 fire stations, which is an average of one fire station for every 9 square miles. Oakland, in contrast, has an average of one fire station for every two square miles; San Jose and Hayward have one station for every six and seven square miles, respectively.

### Maintenance

The City will reduce the FY 2005/06 Maintenance staff by 2.75 FTEs, which will lower the overall Maintenance staffing level to 129.3. This low level of staffing will continue to affect park maintenance, urban forestry, and public buildings – areas in which low staffing levels will have the least impact on public safety and City assets.

**Over the last 10-15 years, maintenance staffing, relative to population, has remained constant. However, demands for maintenance — in terms of public buildings, streets, park land, and street trees — have grown tremendously.**

| Asset | FY 1993/94 | FY 2004/05 | Percent change |
|---|---|---|---|
| Public buildings | 581,500 sq. feet | 931,500 sq. feet | 60% |
| Streets | 778 lane miles | 1,100 lane miles | 41% |
| Trees along streets | 35,000 trees | 46,000 trees | 31% |
| Park land | 810 acres | 890 acres | 10% |

Since the FY 2003/04 budget, maintenance staff was reduced to 0.6 workers per 1,000 residents, which matches the lowest level in Fremont history. The effects of this staffing reduction were compounded by the elimination of the budget for 42,000 hours of part-time/seasonal work, which is equivalent to an additional 21 full-time positions. These reduced service and staffing levels will remain in effect for FY2005/06.

# Policies and Practices

## Budget Practices



## Long-Term Financial Planning



## Reserve or Stabilization Accounts



## Cost Center Spending Authorizations



## Debt Capacity, Issuance & Management

The City of Fremont budget and financial polices are subject to California State law, generally accepted accounting principles, and the City Council. The standards set by these entities establish budget calendar dates, provide for budget control, describe the budget amendment process after budget adoption, and identify appropriate methods for budgeting, accounting, and reporting. The City's resources and appropriations policies are extensions of the laws established by the State of California through the City Council and follow generally accepted governmental accounting standards and budgeting principles.

Budget practices and policies are reviewed to ensure that current financial practices are in place. Areas for future policy development and updates may include postretirement benefits and establishing reserve policies to offset economic fluctuations that occur in the CalPERS retirement system.

## Budget Practices

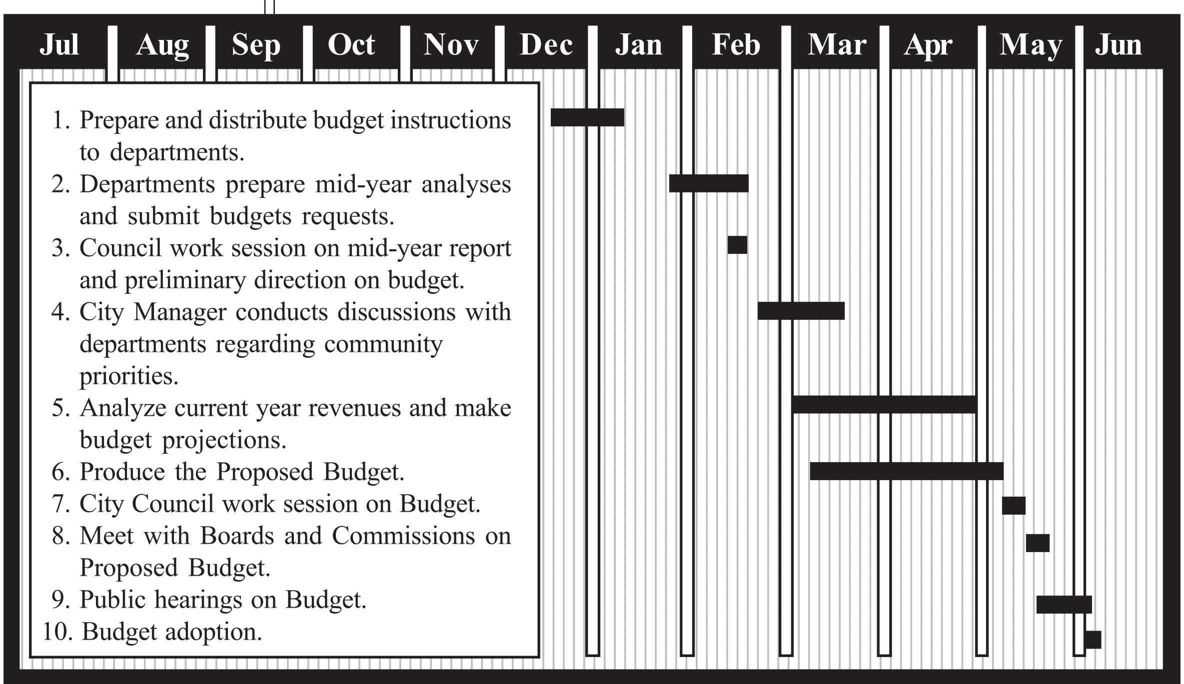
### Budget Process and Calendar

The budget process enables the City Council to make resource allocation decisions, including choices about staffing, technology, equipment, and priorities to be addressed in the coming fiscal year. The City of Fremont's Annual Operating Budget is adopted by the City Council by July 1 each year. Although the City Council first reviews the budget in May, the City Manager's Office, the Finance Department, and other departments begin to prepare it at least six months prior. Throughout the year, staff provides quarterly revenue projections and updates on the City's financial performance, and continues to assess City needs. In producing the budget, the Budget Team receives input from the public, City Council, and staff.

In November, the City Manager provides an update to the City Council on the current year's budget and outlines policy issues facing the City. Together, they establish objectives for the upcoming year. At the mid-year budget review in February, the City Council provides feedback and direction regarding proposed priorities for the future programming of General Fund resources. With this direction and the Finance Department's revenue projections, each department prepares a proposed budget. The Budget Team works closely with department managers to ensure that budgets reflect the City Council's interests, priorities, and goals.

Several weeks before the budget is adopted, the City Manager presents the budget for the coming year to the City Council along with information on current year accomplishments and future year goals. Copies of the proposed budget documents are available to the public at public hearings, and they are also available in the City Clerk's Office and at public libraries. The City Manager presents the budget to the City Council in a televised public forum. Included in the City Manager's presentation are an update of the City's financial position and long-range plan; a review of the national, state, and local economies; a discussion of financial policies; and an update on department activities. After reviewing the proposed budget and receiving public comment at public hearings, the City Council may direct staff to revise the proposed budget. On or before June 30, the City Council votes to adopt the budget, including any revisions to the proposed budget. At any time after the adoption of the budget, the City Council may amend or supplement the budget.

Upon final adoption by the City Council, the budget becomes the legal authorization for the various departments to expend resources, subject to conditions established by the City Manager and City Council. Through a resolution adopted by the City Council, the City Manager is authorized to transfer appropriations as needed from any account in the budget to any other accounts within the same fund to meet overall budget requirements. This resolution further authorizes the City Manager to transfer funds designated as "Transfers" in appropriate increments and intervals. The City Council has adopted several financial and budgetary policies, which address debt, reserves, and spending authorizations, and which help guide long-term planning. These policies are outlined in further detail throughout this section.



## Citizen Participation

Citizens of Fremont participate in the budget planning process in various ways, such as participation on Council-appointed boards and commissions, attending budget study sessions and public hearings, or meeting with City staff. Quarterly study sessions to review the City's budget and discuss relevant policy issues are held as public meetings.

Public hearings for the budget adoption occur at the end of May and the beginning of June. Citizens have the opportunity to speak about budget issues at these hearings and at any City Council meeting during the year. All Council meetings and budget study sessions are televised on the local cable access channel.

The City Council will hear a presentation of the City Manager's proposed FY 2005/06 budget at a televised work session on May 17, 2005. Televised public hearings will be held on May 24 and June 7, 2005. The Redevelopment Agency's budget and the City budget are scheduled to be adopted on June 7, 2005.

## Basis of Budgeting

The City uses a five-year financial forecast model to ensure that current budget decisions consider future financial implications. The basis for the five-year forecast projections is current year estimated revenues and expenditures.

**Revenues:** The City receives revenues from a variety of sources. Property tax, sales tax, and vehicle license fees comprise more than two-thirds of the General Fund, but are controlled by the State Legislature. The City receives the balance of its revenues from local taxes, fees, charges for services, and transfers from other funds for General Fund services. Revenue projections for the coming budget year are comprised of the estimated actual revenue projected for the current year, multiplied by the factor by which the revenue is projected to grow or decline, based on current economic information.

The City has a long-standing practice of dedicating one-time revenues to fund a variety of one-time projects. Increases in the General Fund associated with one-time revenues are not programmed for ongoing operations in the five-year forecast. This ensures that future revenues and expenditures are reasonably projected.

**Fees & Charges:** The City charges for some services at rates that, where possible, match the cost of providing the service. Several departments charge for services such as hazardous materials checks, animal vaccinations and sterilization services, and counseling.

**Expenditures:** The City budgets at the governmental fund level, and funds are grouped for budget presentation. Major fund groups include the General Fund, Cost Center/Internal Service funds, Special Revenue Funds, Redevelopment Agency Funds, and Capital Funds.

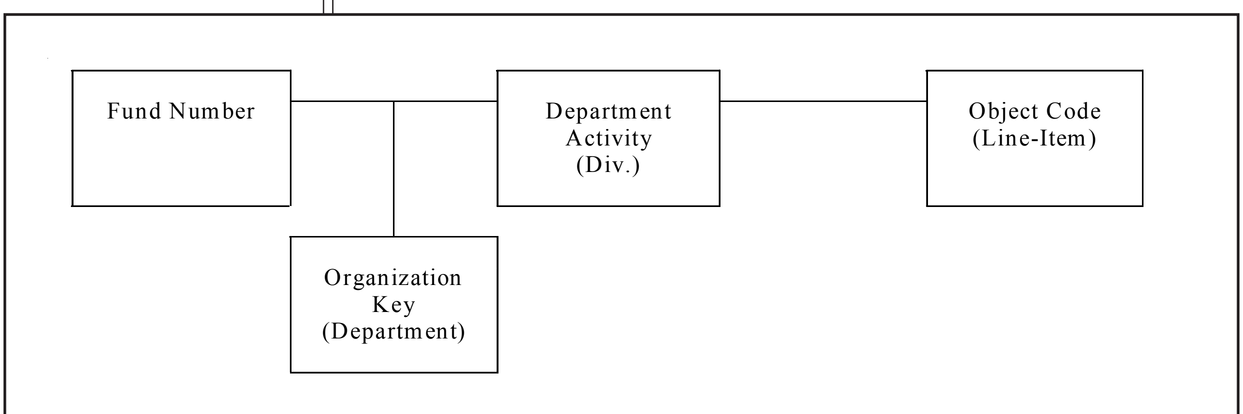
While all funds budgeted are included in the operating budget, this document focuses on the General Fund, which contains the majority of the City's discretionary resources for basic services such as police, fire, and maintenance. Departmental base budgets for a given budget year are determined by:

1. starting with the adopted budget for the prior year,
2. reducing the adopted prior year budget for any one-time appropriations the department received,
3. multiplying the adjusted budget by percentage factors for cost increases associated with negotiated bargaining unit agreements and inflation, and
4. implementing any necessary service reductions or enhancements determined by the City Manager.

City funds are budgeted on the modified accrual basis of accounting. This method recognizes revenues when they become measurable and available to finance expenditures of the period. Expenditures are recorded when the related fund liability is incurred with the exception of principal and interest on long-term debt, which are recorded when due.

## Budget Account Structure

Budget transactions occur under an established account code structure organized by funding source (fund/fund number). An account code is comprised of ten numbers, which represent the fund, department/division activity code, and object code. A combined fund number and department activity code result in a department account number called an organization key (org. key). Object codes describe the transaction type within the fund and department. The account code structure can be best summarized in the following diagram:




## Operating/Capital Expenditure Accountability

The annual budget sets appropriations by fund or with further allocation by department or program. At the fund level, expenditures may not legally exceed appropriations. The City Manager is authorized to transfer budgeted amounts between departments or programs within any fund. The City Council may adopt supplemental appropriations during the year.

The annual budget resolution authorizes the City Manager to increase appropriations for operating expenditures for the Development Cost Center and Recreation Cost Center when quarterly fee revenue in those funds exceeds the amount estimated at the time of budget adoption because of increased activity. All other revisions or transfers that alter the total appropriations of other funds must be approved by the City Council.

The City maintains a five-year forecasting model for operating revenues and expenditures, and also produces a five-year capital plan that includes debt service. The five-year forecast is continuously updated to reflect current revenue and expenditure assumptions and is presented to the City Council after the first fiscal quarter, at mid-year, and during the budget process for the next fiscal year. The City's five-year capital plan is updated every two years.

## Long-Term Financial Planning

### Long-Term Financial Planning

The City Council continues to focus on the long-term benefits of transportation infrastructure improvement, recruitment of consumer retail uses to balance the City's business-to-business sales tax base, and development of a pedestrian-oriented urban center in the City's Central Business District. Significant resources have been invested in the City's estimated share of freeway interchange. Four interchanges were constructed using local funds to allow the completion of extensive freeway investments funded by the County, the State, and the federal government. This investment and final interchange structure will complete the upgrades to I-880 through Fremont. Construction also began on two grade separation projects that will increase safety, reduce congestion, and facilitate the extension of the Bay Area Rapid Transit District commuter rail system south to the City's Warm Springs district and, eventually, to San Jose.

Previous years allowed the City to accumulate balances in the development impact fee funds intended for infrastructure and improved amenities in the community. The park development impact fee funds also accumulated adequate funding for a significant park improvement program. Upon stabilization of the State budget situation, the City Council will develop plans to balance the maintenance and operational cost impacts of acquiring or developing parkland. These plans will be consistent with standards in the City's park master plan.

### Cash Management

Cash temporarily idle during the year is invested in obligations of the U.S. Treasury and agencies of the federal government, commercial paper, corporate bonds, banker's acceptances, qualifying mutual funds, and the State Treasurer's investment pool. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City plans to hold to maturity. Pursuant to State law, the City's investment policy is adopted by the City Council annually.

### Risk Management

The City of Fremont uses a risk management program to reduce its workers' compensation and liability claim costs. The City employs a professional risk manager, a safety officer, and staff, supplemented by professional claim administration firms, to minimize losses. The City participates in two multi-agency joint powers authorities to provide excess insurance coverage, one for liability coverage and one for workers' compensation coverage. The joint powers authorities and the City rely on estimates prepared by professional actuaries to set aside funds adequate to meet potential losses. Excess coverage provided by the joint powers authorities covers claims in excess of $500,000 for general liability claims and workers' compensation claims.

### Pension and Post-employment Benefits

The City provides pension and medical benefits for its public safety and non-safety employees through two contracts with CalPERS. The contracts include benefit levels which the City has negotiated with its employee units and for which it has executed contract amendments. The plans also include some benefit levels approved by the State Legislature without contract amendment and funding mechanisms approved by the CalPERS Board of Administration. The City also provides postretirement benefits in the form of limited contributions toward health insurance costs for certain retirees based on the provisions of labor agreements in effect at the date of the employees' retirement.

## Reserve or Stabilization Accounts

### Reserve or Stabilization Accounts

Reserves accumulated during years when revenues exceeded expenditures cushion the City's transition to a lower revenue base and allows the City to adjust spending in response to economic downturns and State revenue takeaways. The General Fund maintains three reserves: the Contingency Reserve, the Program Investment Reserve and the Budget Uncertainty Reserve. The City also maintains reserves for fee-based cost center operations and certain other special revenue funds, including the following:

- Development Cost Center Contingency Reserve
- Development Cost Center Technology and System Improvements Reserve
- Integrated Waste Management Contingency Reserve
- Solid Waste Disposal Rate Stabilization Reserve
- Urban Runoff Clean Water Program Contingency Reserve
- Recreation Cost Center Contingency Reserve
- Recreation Cost Center Operating Improvement Reserve

## General Fund Contingency Reserve

Contingency Reserve funds help mitigate the effects of unanticipated situations such as natural disasters and severe, unforeseen events. The Contingency Reserve also serves as back-up liquidity to the Risk Management Fund if this need were to arise. The Contingency Reserve is funded at a level at least equal to 12.5% of annual operating expenditures and transfers out. All uses of the Contingency Reserve must be approved by the City Council. Any such uses are to be repaid to the Contingency Reserve over a period of no more than three years. (Adopted by the City Council on June 4, 1996.)

## General Fund Program Investment Reserve

The Program Investment Reserve provides a source of working capital for the following:

a) New programs or undertakings that have the potential for receiving significant funding from outside sources.

b) Organization retooling, process improvement, and strategic entrepreneurial opportunities.

The Program Investment Reserve is funded at a level at least equal to 2.5% of annual operating expenditures and transfers out. All uses of the Program Investment Reserve will be approved by the City Council. Any such uses are to be repaid to the Program Investment Reserve over a period to be determined by the City Council at the time of usage approval, with a target repayment period of no more than three years. (Adopted by the City Council on June 4, 1996.)

## General Fund Budget Uncertainty Reserve

The General Fund Budget Uncertainty Reserve is targeted to offset quantifiable revenue uncertainty in the five-year forecast. The long-term funding level for this reserve is determined by measuring the level of financial risk associated with the following three areas of uncertainty:

1. Revenue risks: Revenues falling short of budget projections (which include a 1% enhancement factor) may cause shortfalls. Transitional funding is also necessary to respond to reductions in major revenues due to local, regional, and national economic downturns (estimated to take 1-3 years).

2. State budget risks: There is a strong probability that the State may implement budget solutions that legislatively reallocate intergovernmental revenues from local jurisdictions to the State (in the absence of guarantees or constitutional protection of these revenues). These include property tax, sales tax, vehicle license fee and backfill, gas tax, grants and reimbursements.

3. Uncontrollable costs: The City requires a source of supplemental funding for further increases in CalPERS retirement rates that result from CalPERS investment performance that falls short of actuarial assumptions. In addition, there may be other cost increases that are beyond the City's control (e.g., various utility charges).

All uses of this reserve must be approved by the City Council. If the risk factors described above are eliminated as a result of new revenue sources, legislation, or major changes in economic conditions, the basis for the reserve will be reviewed and the funding level may be adjusted accordingly. In the event the reserve has accumulated funding beyond the established level reasonably required to offset the risks above, excess funds will be designated for capital projects, budgeted for service enhancement, or returned to the General Fund available fund balance. (Adopted by the City Council on June 4, 2002, and modified on June 10, 2003.)

### Development Cost Center Contingency Reserve

The Development Cost Center maintains a contingency reserve for operations to help mitigate the effects of economic downturns and errors in financial forecasting. The contingency reserve is funded at a level at least equal to 15% of the annual operating expenditures for engineering, planning, and building and safety. All uses of the contingency reserve must be approved by the City Manager. Any such uses are to be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997.)

### Development Cost Center Technology and System Improvement Reserve

The City Council may appropriate an annual contribution from the Development Cost Center to a Development Cost Center technology and system improvement reserve to provide a source of capital for the following:

- Ongoing hardware and software acquisition
- Technology investment
- System improvement

The technology and system improvement reserve was funded initially at a level of $1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager recommends annually an amount to be contributed to such a reserve. All uses of the reserve must be approved by the City Manager. (Adopted by the City Council on June 3, 1997.)

### Development Cost Center Unallocated Fund Balance

When annual fee revenues exceed expenditures and amounts needed to maintain the Development Cost Center reserves at planned levels, the Development and Environmental Services Department will evaluate the development fee structure during the subsequent fiscal year. The evaluation will take into account equity to fee payers, changes in fee structures to encourage compliance with safety codes, economic forecasts for development and maintenance of responsive, high-quality customer services. The purpose of this evaluation will be to develop recommendations regarding possible reductions in fee levels that would be funded through use of the unallocated fund balance for the budget year that begins twelve months after the end of the fiscal year that results in an unallocated fund balance. (Adopted by the City Council on June 3, 1997.)

### Integrated Waste Management Contingency Reserve

City Council policy is to maintain an Integrated Waste Management contingency reserve of $2 million to support post-disaster debris management. In the event of a natural disaster, this will provide a source of funds for disaster response and clean up efforts with the objective of recycling, reusing or otherwise diverting disaster debris from the landfill to the greatest extent possible. The reserve will fund immediate response and recovery activities, support local diversion policy goals, conserve valuable natural resources, preserve landfill space, and possibly decrease recovery time. (Adopted by the City Council on June 1, 1999.)

### Integrated Waste Management Unallocated Fund Balance

The unallocated Integrated Waste Management fund balance will be maintained to fund elements of bringing the future transfer station/material recovery facility (TS/MRF) online, including planning, site acquisition, and design. In the event a TS/MRF is not operational before the Tri-Cities Recycling and Disposal Facility (landfill) reaches capacity, the fund balance may also be used to pay for additional transportation and disposal expenses that will be incurred to handle the City's solid waste until the TS/MRF comes online. The fund balance is evaluated annually to determine whether adjustments in fee levels may be warranted. (Adopted by the City Council on June 1, 1999.)

### Solid Waste Disposal Rate Stabilization Reserve

The Solid Waste Disposal Rate Stabilization Reserve, funded through solid waste collection fees, serves as a mechanism for managing rate fluctuations over time (Adopted by the City Council on June 1, 1999.)

### Urban Runoff Clean Water Program Unallocated Fund Balance

Unallocated Urban Runoff Clean Water Program funds will be used to support a multi-year focused watershed management program to enhance the Regional Water Quality Control Board's storm water quality standards. Program components may include erosion control, community education, and storm water management techniques to improve the quality of water through the watershed. The unallocated fund balance will be evaluated on a biennial basis as to the levels necessary to support project objectives. (Adopted by the City Council on June 1, 1999.)

### Urban Runoff Clean Water Program Contingency Reserve

City Council policy is to maintain a $300,000 contingency to respond to unfunded events such as changes in law, new initiatives, fluctuating program costs, and changing program requirements. The contingency fund balance will be evaluated on a biennial basis to determine if the level is appropriate. (Adopted by the City Council on June 1, 1999.)

### Recreation Cost Center Contingency Reserve

City Council policy is to maintain a Recreation Cost Center contingency reserve for operations to help mitigate the effects of economic downturns and natural disasters, to maintain full-time staffing levels during temporary loss of program facilities, and to deliver prepaid recreation services. The contingency reserve will be funded at a level at least equal to 25% of the Recreation Division's annual operating expenditures. All uses of the contingency reserve will be approved by the City Manager. Any such uses will be repaid to the contingency reserve over a period of no more than three years. (Adopted by the City Council on June 3, 1997.)

### Recreation Cost Center Operating Improvement Reserve

City Council may appropriate an annual contribution from the Recreation Cost Center to the Recreation Cost Center operating improvement reserve to provide a source of capital for:

- Ongoing hardware and software acquisition
- Capital and/or technology investment
- Process improvement and organizational retooling
- Entrepreneurial program opportunities that have the potential to generate revenues to cover expenditures within a three-year period

The operating improvement reserve was funded initially at a level of $1 million. This level of reserve is maintained to the extent market conditions and revenues permit. The City Manager will recommend annually an amount to be contributed to such a reserve. All uses of the reserve will be approved by the City Manager. (Adopted by the City Council on June 3, 1997.)

## Cost Center Spending Authorizations

### Recreation Cost Center Spending Authorization

When revenue estimates for the Recreation cost center exceed the amount identified in the Budget due to increases in recreation fee activity as verified by the Chief Financial Officer, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit. (Adopted by the City Council on June 3, 1997).

### Development Cost Center Spending Authorization

When revenue estimates for the Development and Environmental Services cost center exceed the amount identified in the Budget due to increases in development and fee activity as verified by the Chief Financial Officer, the City Manager is authorized to increase appropriations for expenditures in an amount not to exceed the amount of increased revenue. Increased appropriations shall be made in writing by the City Manager, filed with the Chief Financial Officer, and reported to City Council as part of the results of the annual financial audit. (Included in the annual resolution in prior years and adopted by the City Council on June 3, 1997.)

### Development and Environmental Services Cost Recovery

The multiplier rate was established in the 1992/93 fiscal year to recover all departmental costs associated with an employee's direct chargeable hours on a project. The multiplier concept replaced the flat rate charging system that applied an average departmental charge for all employees. The two principal components of the multiplier rate are the direct chargeable hours and the departmental budget. Direct chargeable hours are specifically attributed to a particular project and exclude hours that are not associated with a project. Chargeable hours are determined based on an estimated percentage of employee-dedicated hours to a chargeable area. The multiplier used to calculate billing rates for planning services provided by the Development and Environmental Services cost center and engineering services is 2.7.

## Debt Capacity, Issuance & Management

### Short-Term Operating Debt

Current revenues will cover the expenses associated with the day-to-day operations of the City. However, because the City receives the majority of its property tax revenues twice during the year, and sales tax revenues may fluctuate during the year, the City may experience temporary cash shortfalls. In order to finance these possible cash shortfalls, the City may incur short-term operating debt [typically, Tax and Revenue Anticipation Notes (TRANS)]. The amount of short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and State regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible. (Adopted by the City Council on February 26, 1996 and reaffirmed on July 7, 1998.)

### Long-Term Capital Debt

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. In addition to this policy, there is a separate policy for land-based financings (typically, Mello-Roos community facility districts and local improvement districts) and debt issued by the Redevelopment Agency. The following provisions guide the City's consideration of issuing long-term debt:

1. The City uses debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
    a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's General Plan.

    b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated immediately by State or federal requirements.

    c. When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.

    d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost-sharing revenues.

    e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.

2. The project priority process used in developing the City's five-year capital improvement program, including criteria used in evaluating projects and project viability, is reviewed by the City Council as part of the biennial update of the five-year capital improvement program.

3. The following criteria is used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:

    a. Factors which favor pay-as-you-go:

        (1) Current revenues and adequate fund balances are available.

        (2) Project phasing is feasible.

        (3) Debt levels would adversely affect the City's credit rating.

        (4) Market conditions are unstable or present difficulties in marketing.

b. Factors which favor long-term financing:

(1) Revenues available for debt service are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating.

(2) The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.

(3) Market conditions present favorable interest rates and demand for municipal financings.

(4) A project is mandated by State or federal requirements and current revenues and fund balances are insufficient to pay project costs.

(5) A project is immediately required to meet or relieve capacity needs.

(6) The life of the project or asset financed is five years or longer.

4. The following is considered in evaluating appropriate debt levels:

a. General Fund supported debt service will not exceed 7% of total General Fund budgeted expenditures and transfers out.

b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue (i.e., not land-based or redevelopment agency financings), but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:

(1) Volatility and collectibility of the revenue source identified for repayment of the debt.

(2) The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor. If the City Council determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 7% of General Fund budgeted expenditures and transfers out. This limitation is separate from and in addition to the debt limitation for general fund supported debt service described in Section 4.a., above.

5. The costs of developing and maintaining a land-based long-term debt policy will be borne by the development community, which uses this type of financing.

6. The costs of developing and maintaining a redevelopment agency long-term debt policy will be borne by the redevelopment agency and will be developed in conjunction with amendments to existing redevelopment project area plans and/or new proposals to issue debt by the redevelopment agency.

7. The City will follow all State and federal regulations and requirements regarding bond provisions, issuance, taxation and disclosure.

8. The adoption of resolutions of intent will be considered whenever bond issuance is contemplated to increase the flexibility related to funding costs related to the project (e.g., project development costs, architectural costs, studies, etc.)

9. Costs incurred by the City, such as bond counsel and financial advisor fees, printing, underwriters' discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.

10. The City will seek credit enhancements, such as letters of credit or insurance, when necessary for cost-effectiveness.

11. The City will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations. Any instances of noncompliance will be reported to the City Council

12. The City will seek to maintain its current bond rating and will ordinarily not consider long-term debt that, through its issuance, would cause the City's bond rating to be lowered.

13. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus (Official Statement).

14. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.

15. The City will select a financial advisor and/or investment banker and bond counsel on a competitive basis; these advisors will be retained for at least four years to provide continuity and allow them to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.

16. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund

making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration.

17. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.

18. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.

19. In choosing the appropriate long-term debt instrument, cost, economic equity, political acceptability, and flexibility will be considered. Refunds will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered, as appropriate.

### Financing Instruments

There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:

a. General Obligation Bonds - Bonds backed by the full faith and credit of the City. The taxing power may be an unlimited ad valorem tax or a limited tax, usually on real estate and personal property. A special rate is incorporated in the property tax bill annually to pay for debt service. A two-thirds voter approval is required for authorization. Because it is secured by an unlimited tax levy, this structure has strong marketability and lower interest costs.

b. Revenue Bonds - Bonds are secured by revenues generated by the facility that is financed or by dedicated user fees. Voter approval may or may not be required. Planning is more complex because costs and revenues affect each other. Credit enhancement (e.g., insurance or letter of credit) may be needed because of the limited source of debt service payment.

c. Certificates of Participation - The City enters into a lease agreement with another party (a lessor, such as a joint powers authority) to lease an asset over a defined period of time at a prearranged annual payment. Voter approval is generally not required. Lease payments are made primarily from general fund revenues. Current law requires the lessee to make lease payments only if the facility has beneficial use. The legislative body has to appropriate annual debt service payments. For the security of the bondholders, a reserve fund is normally established and held by a trustee until all bonds are paid. Interest during project construction must be capitalized. An “asset transfer” structure, whereby an existing facility is used as security to finance construction or acquisition of another project, may be used for flexibility.

d. Tax Allocation Bonds - Bonds are secured by property tax increment (property taxes generated on assessed value in excess of the frozen property tax base) in a redevelopment project area. These bonds are issued to promote economic development. Voter approval is not required.

e. Assessment Bonds - Bonds are issued to develop facilities and basic infrastructure for the benefit of properties within the assessment district. Assessments are levied on properties benefited by the project. Voter approval is not required. Instead, a majority vote of the property owners with a majority of assessments is needed to authorize the issue. The issuer's recourse for non-payment is foreclosure. This type of bond is normally not rated. The bonds may be issued under the provisions of the 1911, 1915 or Mello-Roos Bond Act, whichever is most appropriate.

f. Master Lease Agreements - The City enters into a lease agreement with a provider to lease equipment or facilities whose useful life is too short to finance with long-term debt. Various pieces and types of real and personal property from different vendors over a period of time can be acquired under one master lease agreement. Interest can be fixed or tied to an index. Financing costs are normally minimal, but the interest cost may be higher than with other instruments.

g. Vendor-Financed Leases - A vendor of equipment acts as the lessor and investor, and holds the lease for its full term or may assign the lease. The motivating factor to the vendor is usually to encourage future sales of its product.

h. Marks-Roos Bonds - Bonds are issued by a joint powers authority to buy other bond issues. By pooling bond issues, marketability can be improved and administration costs are reduced.

i. Bond Anticipation Notes - Notes are issued to provide temporary financing, to be repaid by long-term financing. The bridge financing has a maximum maturity of three years.

(Adopted by the City Council on May 7, 1996, revised and readopted by Council on July 8, 1998)

### Administrative Systems Group (ASG)
Administrative Systems Group includes the City Manager's Office, City Attorney's Office, City Clerk's Office, Finance, Human Resources, and Information Systems.

### Annual Operating Contingency
An account, used at the discretion of the City Manager, to fund emergency or extraordinary items.

### Appropriation
An authorization by the City Council to make expenditures and to incur obligations for a specific purpose within a specific time frame.

### Assessed Valuation
A dollar value placed on real estate or other property by Alameda County as a basis for levying property taxes.

### Audit
Scrutiny of the City's accounts by an independent auditing firm to determine whether the City's financial statements are fairly presented in accordance with generally accepted accounting principles.

### Balanced Budget
The budget for a fund is balanced when total budgeted resources, including revenues, transfers in from other funds, and unallocated fund balance from previous years meet or exceed total budgeted use of resources, including expenditures and transfers out to other funds.

### Base Budget
Under traditional budgeting, the base budget is that amount carried over from one year to the next. Each year, approved amounts may be added to the base budget.

### Beginning Balance
Unencumbered resources available in a fund from the prior fiscal year after payment of prior fiscal year expenditures.

### Bond
Capital raised by issuing a written promise to pay a specified sum of money, called the face value or principal amount, with interest at predetermined intervals.

### Budget
A fiscal plan of financial operation listing an estimate of proposed applications or expenditures and the proposed means of financing them. The budget must be approved by the City Council prior to the beginning of the fiscal year.

### California Public Employees' Retirement System (CalPERS)
The retirement system, administered by the State of California, to which all permanent City employees belong.

### Capital Asset
Land, infrastructure, and equipment that are used in operations that have initial useful lives of at least five years. The City has set the capitalization threshold for reporting infrastructure capital assets at $25,000, and for all other capital assets at $5,000.

### Capital Improvement Program (CIP) and Integrated Capital Assets Plan (ICAP)
The five-year financial plan for improving assets and integrating debt service and capital assets maintenance, adopted in a separate budget document and updated every three years.

### Certificates of Participation (COPs)
A lending agreement secured by a lease on the acquired asset or other assets of the City.

### Community Services Team (CST)
Community Services Team includes Development and Environmental Services, Police, Fire, Economic Development, Human Services, Parks & Recreation, and Housing and Redevelopment.

### Consumer Price Index (CPI)
An indicator of inflation, used in some salary-increase calculations.

### Debt Service
Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation (COPs).

### Deficit
An excess of expenditures over revenues (resources).

### Department
An organizational unit comprised of divisions or functions. It is the basic unit of service responsibility encompassing a broad mandate of related activities.

### Designated Fund Balance
The portion of fund balance segregated to reflect the City Council's intended use of resources.

### Encumbrances
A legal obligation to pay funds for expenses yet to occur, such as when a purchase order has been issued but the related goods or services have not yet been received. They cease to be encumbrances when the obligations are paid or terminated.

### Enterprise Fund
A type of fund established for the total costs of those governmental facilities and services which are operated in a manner similar to private enterprise. These programs are entirely or predominantly self-supporting. The City

has a number of enterprises such as the Development Cost Center, the Recreation Services Cost Center, and the Senior Center. Also referred to as Proprietary Funds.

### Expenditure
The actual spending of governmental funds.

### Five-year Forecast
The Finance Department's long-range projection of revenues and expenditures. The Finance Department updates the forecast three times a year.

### Fiscal Year
A twelve-month period of time to which a budget applies. In Fremont, it is July 1 through June 30.

### Fund
An independent fiscal and accounting entity with a self-balancing set of accounts, used to record all financial transactions related to the specific purpose for which the fund was created.

### Fund Balance
The difference between fund assets and fund liabilities.

### Gann Limit
State of California legislation that limits a City's appropriations growth rate to changes in population and either the change in California per capita income or the change in the local assessment roll due to non-residential new construction.

### General Fund
The primary fund of the City used to account for all revenues and expenditures of the City not legally restricted as to use. This fund is used to accumulate the cost of the City's general operations.

### General Obligation Bond
Bonds backed by the full faith and credit of the City, used for various purposes and repaid by the regular revenue raising powers (generally property taxes) of the City.

### Grant
Contributions or gifts of cash or other assets from another governmental entity or foundation to be used or expended for a specific purpose, activity, or facility. An example is the Community Development Block Grant provided by the federal government.

### Hotel/Motel Tax
A tax imposed on travelers who stay in temporary lodging facilities within the City. Also referred to as a Transient Occupancy Tax.

### Interfund Transfers
Moneys transferred from one fund to another, such as from a fund receiving revenue to the fund through which the resources are to be expended.

### Local Improvement District (LID) Bonds
Bonds paid for by special assessments on benefiting property owners for specific capital improvements.

### Materials, Supplies and Services
Expenditures for items which are ordinarily consumed within a fiscal year.

### Memoranda of Understanding (MOUs)
The result of labor negotiations between the City of Fremont and its various bargaining units.

### Non-departmental
Appropriations of the General Fund not directly associated with a specific department. Expenditure items and certain types of anticipated general savings are included.

### Object Code
The line item where a revenue or expenditure is recorded.

### Objectives
The expected results or achievements of a budget activity.

### Operating Budget
Annual appropriation of funds for ongoing program costs, including salaries and benefits, services and supplies. This is the primary means by which most of the financing, acquisition, spending and service delivery activities of the City are controlled. Reserves and contingencies are also components of Fremont's annual budget.

### Ordinance
A formal legislative enactment by the City Council. It has the full force and effect of law within the City boundaries.

### Overhead
Charged to various funds to cover the cost of administrative services, rent, custodial services, etc.

### Proprietary Funds
Revenues from City of Fremont activities that operate as public enterprises. Revenues derive from fees charged to users, and the programs are largely cost-covering. Also referred to as Enterprise Funds.

### Reserved Fund Balance
Accounts used to record a portion of the fund balance as legally segregated for a specific use or not available for appropriation.

### Resolution
A special order of the City Council which has a lower legal standing than an ordinance.

### Salaries and Benefits
A budget category which generally accounts for full-time and temporary employees, overtime, and all employee benefits, such as medical, dental, and retirement.

### Transfers In and Transfers Out
Movement of revenue out of one fund to another. The recipient fund uses the money to cover the cost of services provided (such as when the General Fund transfers money to the Recreation Cost Center) or to cover the cost of a contract between two funds (such as when the General Fund transfers money to the Development Cost Center).